As of 11 a.m. ET **DJIA** 10627.49 ▲ 0.09% **FTSE 100** 5538.07 ▲ 0.07% **Nikkei 225** 10798.32 **Closed** **Shanghai Comp.** 3212.75 ▲ 0.52% **Hang Seng** 22411.52 ▲ 0.51% **Sensex** 17526.71 ▼ 0.08% **S&P/ASX 200** 4950.66 ▲ 0.78%

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Hong Kong milkshake murder trial reaches final appeal

Bloomberg News

Nancy Kissel, convicted in 2005 of killing her investment-banker husband after sedating him with a laced milkshake, arrives at court Tuesday in Hong Kong to launch her final appeal of a life sentence. **Page 6.**

China pulls back on stimulus effort

Deflecting inflation is a growing priority for government

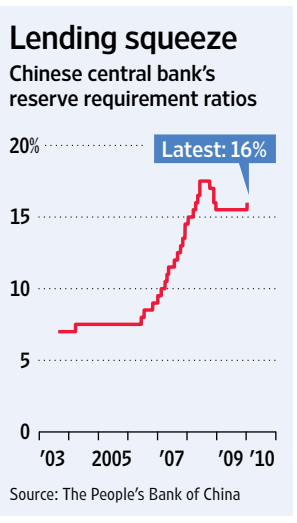
BY JAMES T. AREDDY

SHANGHAI — China backed off its giant stimulus effort Tuesday by reducing the amount of cash banks have available to lend, in the clearest signal yet that the government is worried that the nation's credit binge now risks igniting inflation.

China's stimulus program, led by a government order to banks in late 2008 to flood the economy with cash, helped to carry China through global financial turmoil. The Chinese economy has rebounded strongly, with property prices sizzling in major cities, a recovery in exports and, recently, a rush of inward investment. The economy is now poised to surge past Japan this year as the world's second-largest economy after the U.S.

But deflecting inflation has become a growing priority for Beijing. Tuesday's move by the People's Bank of China, the country's central bank, appeared to economists as a significant, sooner-than-expected step away from the policies that have encouraged easy bank credit.

Starting Monday, most commercial banks will be required to put 16% of their deposits on reserve and not lend the money, an increase of a half percentage point. In recent years, the reserve requirement rate has emerged as a primary tool for the central bank to fine-tune monetary policy.



Source: The People's Bank of China

Also Tuesday, the central bank raised the yield it pays on its one-year bills, a move also designed to siphon cash out of the financial system by making the debt securities more attractive for banks to buy.

The change potentially sets China on a path for other bigger adjustments, including official interest-rate increases later in the year. "The reserve requirement often seems to function as a leading indicator, partly because it's a good signaling point to the markets," said Mark Williams, senior China economist at Capital Economics Ltd. in London. "From that perspective, it's a turning point."

The move rattled global markets, sending investors to safer-seeming assets as they worried that China's economy might not be as robust as expected this year. The dollar rose against riskier-but-higher-yielding currencies such as the South African rand, and U.S. government Treasurys also rallied. Stock prices in Europe fell in the wake of China's announcement, which came after Chinese markets closed.

As it orders banks to lock up more cash, Beijing is demonstrating it is on guard against asset bubbles that can accompany inflation. The initial impact may be to knock back China's stock market, which gained 80% last year, as shown by the Shanghai

Please turn to page 18

Tokyo favors Delta pact for JAL

BY MARIKO SANCHANTA AND YOSHIO TAKAHASHI

TOKYO—Government officials are pushing **Japan Airlines** Corp. to choose **Delta Air Lines** Inc. as its new alliance partner over American Airlines parent **AMR** Corp., according to people familiar with the matter, even as the embattled carrier moves closer to a likely bankruptcy-protection filing.

JAL's shares plunged 45% Tuesday as investors raced to offload shares, wiping $900 million off its market capitalization in one day. Its new market capitalization of just over $1 billion compares with the $7 billion of rival **All Nippon Airways** Co., a major comedown for a national icon that once represented Japan's link to the rest of the world.

Bloomberg News

Japan's transport minister, Seiji Maehara, said JAL's three major creditors agreed to cooperate to help restore it to fiscal health.

JAL is expected to file for bankruptcy protection next week, a move made easier Tuesday by the acquiescence of its major lenders to government efforts to restructure the airline. Seiji Maehara, Japan's transport minister, said that JAL's three major creditor banks had agreed to cooperate to help restore the carrier to fiscal health, though he didn't disclose details. His remarks followed reports that the banks had agreed to the Japanese version of a U.S. Chapter 11 bankruptcy filing.

On a positive note, JAL Tuesday won approval for its proposal to reduce pension allowances from 67% of about 8,900 retirees, slightly above the two-thirds required for JAL to alter its corporate pension program. The retirees faced pressure to agree to the cuts to help the deeply unprofitable airline reduce its burdensome obligations.

JAL has been receiving official advice that a tie-up with Delta would be more advantageous, according to

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What's News—

* * *

Business & Finance

■ **Carlyle Group will raise** a yuan-denominated private-equity fund, and hopes that partnering with the Beijing city government will help it open doors for deals in Beijing and surrounding regions. **3**

■ **The U.S. trade deficit widened** more than expected in November, as surging oil prices helped imports to outgain exports. **8**

■ **U.S. stocks slipped** as earnings reports from Alcoa and others fell short of investors' expectations. Alcoa's results also weighed on Asian materials shares. **27**

■ **China's Shanda Games** said it will spend $80 million in cash and stock to buy U.S. online game distributor Mochi Media, furthering its global expansion ambitions. **19**

■ **Infosys reported** a smaller-than-expected drop in profit and raised its full-year outlook, a sign of improvement for Indian technology firms. **20**

■ **Bharti Airtel of India** will buy a 70% stake in Bangladesh's Warid Telecom for $300 million. **22**

■ **Cadbury said** revenue and profit margins improved in 2009 and offered a promising outlook for 2010, hoping to bolster its defense against Kraft's bid. **21**

■ **Golf equipment maker** Callaway is opening an Indian unit and signed India's most famous golfer as a brand ambassador in an effort to tap the growing popularity of the sport in the country. **23**

■ **China's Bright Food** approached Australia's CSR about acquiring its sugar and renewable energy business. **22**

■ **Hanwha Securities said** it submitted a preliminary bid to acquire two South Korean units of Prudential Financial. **21**

■ **Airbus reported** strong production and orders for last year but faces considerable risk because of delays to its military transport for European customers. **22**

■ **Alcoa narrowed** its loss to $277 million, reporting lower sales in the construction, aerospace and commercial-building markets. **23**

■ **Creditors of Hynix** Semiconductor are trying to drum up interest in a $3.6 billion stake in the company that has faced a lukewarm response. **25**

■ **The Obama administration** is aiming to hit banks in the U.S. with a fee to recoup losses associated with the bailout of financial firms and the auto industry. **8**

■ **Gregory Curl**, the executive passed over in the fight for the top job at BofA, is expected to have his responsibilities cut back in a management shuffle. **24**

■ **AIG asked Thomas Russo**, the former top lawyer at Lehman, to be its general counsel. **25**

* * *

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■ **The WTO said** it will investigate import tariffs levied by the U.S. on Chinese tires. It could authorize China to put tariffs on key U.S. imports. **4**

■ **Financier Danny Pang** was ruled to have committed suicide by overdosing on a combination of painkillers and other drugs. **3**

■ **A remote-controlled bomb** killed a pro-opposition Tehran University professor of nuclear science, Iranian state media reported. **7**

■ **Iraqi security forces** locked down large swaths of Baghdad and arrested 25 men suspected of plotting attacks possibly timed to coincide with the run-up to parliamentary elections in March.

■ **Four Saudi soldiers died** in clashes with Yemeni Shiite rebels at a border post near Yemen, Saudi state TV reported.

Reuters

A security guard stands outside Yemen's foreign ministry in San'a on Tuesday. Foreign Minister Abu Bakr al-Qirbi said the U.S. and its allies helping Yemen fight al Qaeda shouldn't pressure it to carry out reforms or resolve other internal conflicts. The comments came as the military claimed to have killed 20 Shiite rebels in fighting an uprising in the north.

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WORLD NEWS

Carlyle joins Beijing to launch fund

City government to provide private-equity firm with capital, investment opportunities as part of partnership

Carlyle Group LP announced plans to raise a China private-equity fund in local currency with a partner it hopes will open doors for China deals: the Beijing city government.

*By **Rick Carew** in Hong Kong and **Dinny McMahon** in Beijing*

Carlyle didn't say how much money it planned to raise for its new fund. Most other Chinese-currency funds raised by foreign private-equity firms have kept their targets under five billion yuan ($732.5 million) to avoid the more stringent regulations that apply to larger funds.

"This special relationship with the city of Beijing will give us credibility both in Beijing and throughout China's regions," said David Rubenstein, Carlyle's co-founder and managing director, in an interview. "It's an affirmation that the Chinese government is happy with us that we didn't have before."

Associating the firm with a highly visible and more recognizable name is an approach Carlyle has used to great success in other markets. At times the fund has employed high-profile political figures such as former U.S. President George H.W. Bush and former U.K. Prime Minister John Major to help burnish its image.

The support of the Beijing government should ease Carlyle's fundraising as it can provide capital from the city's investment arms and help attract money from companies and financial institutions part-owned or supervised by the city government. It could also give Carlyle advantages on deals involving assets the city sells or on investment opportunities in surrounding regions.

"In order to get good investments you have to be close the ground," said Daniel D'Aniello, a Carlyle founding partner. "First we opened offices in Shanghai and Hong Kong. This is the next step."

The Wall Street Journal reported in August that the new Carlyle fund was in advanced stages. Carlyle also operates another smaller yuan-denominated fund for its Asia growth capital fund. The new fund being formed in Beijing will be managed by its Carlyle Asia Partners team, which focuses on larger growth investments and buyout deals in the region. Carlyle hopes to find co-investment opportunities for the Asia-wide buyout fund and the local-currency China fund.

Reuters

Carlyle Group co-founder David Rubenstein, shown in October, says the Beijing partnership gives the private-equity firm credibility throughout China.

Foreign private-equity firms for years have raised capital to do China deals from overseas. Recently, China's government has begun allowing foreign firms—including major players such as Blackstone Group LP—to raise funds from domestic investors denominated in yuan. That move lets local investors share in the industry's potential gains. Private-equity firms expect the use of the yuan will make regulatory approval for deals less troublesome and provide a new fund-raising source that could become crucial in the coming years.

The challenge for the foreign funds will be keeping their global investors happy. Dividing deals between the foreign and local funds can be tricky and could create conflict between the two investor bases, both of which are eager to access the best deals.

The Carlyle partners said the yuan-denominated fund will open up opportunities for both sides. Not only will the local fund be allowed into deals its offshore counterparty isn't, but companies might in some cases be more amenable to allowing foreign investment after the local fund does the groundwork.

Carlyle was one of the earliest movers into China and has invested more than $2.5 billion in about 40 deals. Mr. Rubenstein has said repeatedly that China is the most attractive market for the private equity firm after the U.S. due to its strong growth outlook.

"At the beginning of the 21st century, it does appear that China will become what the U.S. was in the 20th," Mr. Rubenstein said. "It's a place where every global investor wants to be."

Still, yuan funds are unlikely to eclipse their U.S. dollar counterparts in the near future. Most private-equity firms set up such funds to prepare themselves for when China's domestic private-equity market becomes more mature.

China capital

Yuan private-equity funds being raised in China

Fund Manager	Fund size in bil. of yuan	Location	Date
Carlyle Group	N/A	Beijing	Jan-10
CLSA/Shanghai Guosheng	10	Shanghai	Aug-09
First Eastern	6	Shanghai	Aug-09
Blackstone	5	Shanghai	Aug-09
CDH	5	Tianjin	May-08
Hony Capital	5	Tianjin	Apr-08

Note: Fund sizes are targets and some haven't completed fund raising.
Sources: National Development and Reform Commission; WSJ Research

Financier Danny Pang's death ruled a suicide

BY MARK MAREMONT

California financier Danny Pang committed suicide by taking an overdose of a combination of painkillers and other drugs, the coroner's office in Orange County, Calif., concluded.

At the time of his death in September at age 42, Mr. Pang was battling allegations that he had masterminded a massive international fraud. Regulators had charged in federal court in Los Angeles that the financier ran a Ponzi-like scheme and misappropriated investor funds to finance a lavish lifestyle.

Prosecutors also had charged him in U.S. court in Santa Ana, Calif., with structuring currency transactions to get around money-laundering rules. Mr. Pang consistently denied wrongdoing.

The cause of Mr. Pang's death was "combined intoxication" from seven drugs found in his system, according to a written report from the Orange County Sheriff-Coroner. The drugs included oxycodone, hydrocodone and two other painkillers, along with drugs generally used to treat depression and anxiety. The active ingredient in marijuana, known as THC, also was found in his system.

Associated Press

Danny Pang, shown leaving court in Santa Ana, Calif., in April, died from a drug overdose in September.

Drugs found in Danny Pang's system, according to the Orange County Sheriff-Coroner's report:

- **Oxycodone and hydrocodone**, opiate pain relievers (found at roughly five times the fatal dosages, says a private pathologist)
- **Citalopram**, an antidepressant
- **THC**, the active ingredient in marijuana
- **Lorazepam**, an antianxiety medication
- **Oxymorphone**, opiate pain reliever
- **Dihydrocodeine**, opiate pain reliever

Dr. John C. Hiserodt, a private forensic pathologist in Cypress, Calif., reviewed the toxicology report released by the coroner. He said it showed that Mr. Pang had roughly five times the typical fatal levels of both oxycodone and hydrocodone in his blood, plus the equivalent still in his stomach of about 30 oxycodone pills of 10 milligrams apiece. "You don't get this level of drug accidentally," he said. "It's pretty clearly a suicide."

A spokesman for the family didn't have any immediate response to a request for comment.

Mr. Pang was found unconscious by his mother at his Newport Beach, Calif., home the afternoon of Sept. 11, 2009. He was rushed to a local hospital but died early the next morning. At the time of his death, he was confined to his home most of the time under a bail agreement and was wearing an electronic monitoring device around his ankle.

Shortly after Mr. Pang died, federal authorities received anonymous tips that the embattled financier had faked his own death. In an affidavit filed in November in federal court, the prosecutor in charge of Mr. Pang's criminal case, Joseph T. McNally, said that the Federal Bureau of Investigation verified the body was Mr. Pang's through fingerprints.

The coroner performed an autopsy shortly after Mr. Pang's death, but awaited a toxicology report before making a final determination about cause of death.

Mr. Pang's company, **Private Equity Management Group** Inc. in Irvine, Calif., or PEMGroup, took in more than $820 million in investments, mostly from some 16,000 retail investors in his native Taiwan.

The Securities and Exchange Commission seized control of PEMGroup in April, shortly after a page-one article in The Wall Street Journal raised questions about the firm and Mr. Pang's credentials.

Indonesia wants China pact revised

Jakarta asks Asean to seek a delay in part of its free-trade agreement with Beijing due to worries about competition

By Tom Wright And Yayu Yuniar

JAKARTA—Indonesia is hoping to renegotiate a free-trade pact between Southeast Asia and China that took effect this month amid concerns from local business about what they call unfair competition from low-cost Chinese imports.

Indonesia's government has sent a letter to the Association of Southeast Asian Nations, or Asean, to ask for a one-year delay, until January 2011, in imposing zero tariffs on a number of goods, including textiles, steel and chemicals, to give local businesses more time to adjust, said Muhdori, a spokesman for the industry ministry.

"We want to slow down the pace of this agreement so we are ready domestically," he said.

Some Indonesian business leaders complain the government failed to consult them in the process of negotiating the free-trade agreement. Many sectors are already reeling from competition with low-cost Chinese clothes, toys and electronic goods, which are often smuggled into Indonesia, and opening the borders will further hurt local business, said Sofjan Wanandi, chairman of the Indonesian Employers Association. "We're totally unable to compete and we'll have to close our factories," he said.

During 2008, two-way trade between China and the 10-member Asean totaled $193 billion.

Under the free- trade deal signed in 2004, tariffs on China-Asean trade declined in stages to an average of 5% last year. On Jan. 1 this year, they dropped to zero on about 90% of their trade. Under a separate agreement, meanwhile, most tariffs on trade between six of Asean's economies—Indonesia, Thailand, Singapore, the Philippines, Malaysia and Brunei—also fell to zero at the start of 2010.

The Asean-China deal was billed by both sides as creating the third-largest free-trade area in the world after the European Union's single market and the North American Free Trade Area.

An Asean endorsement of Indonesia's request for a one-year delay in treaty terms now in effect is extremely unlikely, as that would need to be agreed to by all 10 member governments. The regional organization has promoted the free-trade agreement and closer links with China as boosting Southeast Asia. Surin Pitsuwan, the body's secretary-general, is quoted on its Web site as saying China's growth and expanding investment are "energizing the region and... providing Asean with an expanding diversified market in an environment of slowing growth in its traditional partners."

China would need to agree with any request for delaying treaty implementation, and that seems highly unlikely. On Tuesday, an official of the Chinese foreign ministry said no request for suspending an implementation date has been received. The ministry referred questions to the ministry of commerce, which didn't respond Tuesday.

The People's Daily newspaper last week quoted Yi Xiaozhun, vice-minister of commerce, as saying worries like those of Indonesian manufacturers are "understandable. But the free-trade agreement is mutually beneficial... with full consideration of economic development levels and market capacities of both sides, the free-trade agreement will advance the regional economic integrity by eliminating barriers of trade and investment."

Southeast Asia's trade with China has risen sixfold in the past decade. While the region exports agricultural products and natural resources to China, most countries import Chinese manufactured goods that have a higher total value than Asean's exports. In 2008, the last year for which statistics are available, Asean had a trade deficit with China of $21.5 billion.

In the region—and especially among nations such as Indonesia, the Philippines and Thailand, there is fear of unbridled competition with China's bigger and more-efficient manufacturing base. Even within Southeast Asia, which has been working on its own free-trade area since the early 1990s, nations remain wary of throwing open their borders to trade, especially for strategic agricultural products such as rice, adequate supplies of which are seen as key to national security.

To counter these concerns, the free-trade deal allowed for China and Southeast Asian nations to temporarily exclude items that add up to 10% of the value of their total imports from the new zero tariffs by putting those products on a "sensitive list," with barriers coming down gradually over the next few years.

Some nations like Singapore, a rich, open economy and a major exporter of high-tech products, have few items on the list. But countries that compete directly with China to export lower-end manufactured products, such as Indonesia, the Philippines and Thailand, have excluded hundreds of items each.

In Indonesia, some businesses say they weren't adequately consulted over what products should go on the exclusion lists.

Thousands of Indonesian workers staged a rally last week in Bandung, a large city on Java and a textile-production center, to ask the government to postpone the free-trade pact, local media reported.

Ade Sudradjat, deputy chairman of the Indonesian Textile Association, said around 271 textile and garment companies have gone bankrupt in the past two years as imports from China increased. Indonesia, he said, has lagged China in building infrastructure and implementing business-friendly policies, such as preferential lending rates from state-owned banks, making it hard to compete.

Trade Minister Mari Elka Pangestu said last week that Indonesia would stick by its "international commitments" but had set up a special government body to look into concerns raised by business. A trade ministry spokeswoman declined to confirm whether the government had asked Asean for a postponement of the free-trade pact for some goods.

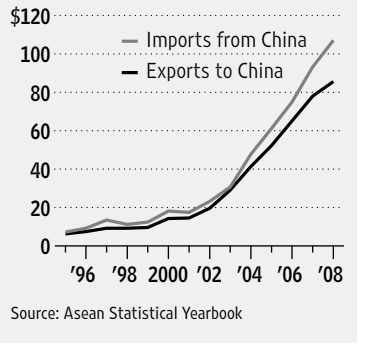
"I don't know why they are complaining only now," Rodolfo Severino, a former Asean secretary-general, said about the Indonesian request for changes.

Mr. Severino, who now heads the Asean Studies Center at the Institute of Southeast Asian Studies in Singapore, said that large nontariff barriers to trade in the region will continue to protect some domestic industries despite the free-trade agreement. These include cumbersome customs procedures, labeling requirements and product specifications that stanch the flow of trade, he said.

—Sue Feng in Beijing contributed to this article.

European Pressphoto Agency

A vendor sells Chinese-made toys at a Jakarta market. The local industry says it can't compete with imports from China.



WTO to probe U.S. tariffs on Chinese tires

By John W. Miller

BRUSSELS—The World Trade Organization will investigate import tariffs levied by the U.S. on Chinese tires in September, according to documents published Monday by the Geneva-based trade arbiter.

The probe, which follows a Chinese appeal filed last year, will weigh on a trade battle that has emerged since U.S. President Barack Obama made the high-profile decision to approve extra tariffs of 35%, 25% and 20% on Chinese tires over the next three years, in addition to a regular 4% levy.

Since then, China has slapped import tariffs or restrictions on imports of U.S. nylon, industrial acid, chickens and other products. China has also begun an investigation into whether U.S. auto makers are selling below cost, or "dumping," cars in China.

The U.S. hasn't let up on defending its own trade interests, looking into allegations of dumping in other products and last month slapping tariffs on imports of Chinese steel pipes, a $2.8 billion market.

The growing tensions in global trade's richest binational trade relationship have exacerbated protectionist fears on both sides of the Pacific. The U.S.-China tension is one reason global trade talks collapsed in Geneva last month.

When China joined the WTO in 2001, it agreed to give trade partners "safeguards"—the right to increase tariffs if a flood of Chinese imports began to disrupt domestic factories and put people out of work.

That is what the U.S. tire industry says happened.

In 2004 to 2008, imports of tires from China, which at $50 or less can easily undercut those made in the U.S., rose to $9.3 billion from $5.1 billion, giving China a 17% market share, according to trade data.

That put a stress on U.S. tire makers, people in the industry say. Seven U.S. tire plants have closed since 2006. There were 5,168 fewer workers in the industry in 2008 than in 2004.

The WTO's decision will hinge "on how much Chinese tire imports increased, whether U.S. tire makers were hurt by these imports, and whether the tariffs exceeded what was necessary," says Simon Lester of worldtradelaw.net, a Washington-based consultancy. "It's more straightforward than most trade-remedy cases."

China has denied the link. Chinese officials say the country's tires cater to a different, lower-cost market than U.S. tires.

David Spooner, a lawyer with Squire Sanders & Dempsey, which represented Chinese industry in the case at the U.S. International Trade Commission, said tire imports had been falling for months before the U.S. tariffs were announced. A safeguard is legal only if there is a continuous surge in imports. "It's not a case I'd want to defend," he said.

The WTO will formalize a three-judge panel on Jan. 19 to look into whether the U.S. respected WTO rules in levying the tariffs on Chinese tires.

The panel will publish a decision after nine months of investigation. If it finds that the U.S. unfairly imposed the tariffs, it could authorize China to put tariffs on key U.S. imports, up to the amount lost by Chinese exporters because of the duties. The U.S. can appeal, meaning the case could last several years.

—Tom Barkley in Washington contributed to this article.

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WORLD NEWS: ASIA

Clinton moves to stabilize Japan ties

Top diplomats plan meeting to address concerns over relocation of U.S. base in Okinawa, other broader issues

By Jacob M. Schlesinger

Secretary of State Hillary Clinton was set to meet with her Japanese counterpart in Hawaii on Tuesday local time in hopes of tamping down the intensifying perception that their disagreement over a U.S. base on Japanese soil is flaring up into broader tensions undermining the trans-Pacific alliance.

While the Obama administration is sticking to its demand that the new Japanese administration follow the terms of the military treaty signed by the previous Tokyo government, Washington is trying to lower the public heat surrounding the issue. The shift comes as Japan's new government grapples with tough economic issues and dropping popularity.

U.S. officials earlier pressed the Japanese government to resolve the issue by the end of last year, but Japan has pushed the decision to the middle of this year. U.S. officials now aren't seeking any specific date for a conclusion of the matter, and are willing to give Prime Minister Yukio Hatoyama more time to work through the issue, according to a senior Obama administration official.

A U.S. State Department spokesman said Monday that Mrs. Clinton would discuss the issue with Foreign Minister Katsuya Okada in talks set to take place early Wednesday Japan time. But he said the issue would be part of broader talks.

Agence France-Presse/Getty Images

U.S. Secretary of State Hillary Clinton arrives in Honolulu Monday at the beginning of a weeklong visit to the Pacific region.

"They will discuss a wide range of bilateral, regional and international issues, including base realignment," said spokesman Gordon Duguid, adding, "The U.S. has a broad and deep alliance and we will continue to work closely on a range of issues follow the meeting."

Mr. Hatoyama's Democratic Party of Japan won a landslide electoral victory in August, and U.S. officials welcomed the change after years of frustration with the paralysis of the long-ruling Liberal Democratic Party. But Mr. Hatoyama's new government has seen its popularity fall in part because of the appearance of new tensions with Washington, which the Japanese media has taken to calling a "crisis."

Some critics have urged the Obama administration to take some of the pressure off Mr. Hatoyama of the issue, which involves the relocation of a U.S. air base in a densely populated part of the island of Okinawa called Futenma.

"This is not to be confused with changing the subject, or papering over an ongoing issue," the U.S. official said. "But it also reflects a determination that we're not going to be dragged into this public ultra-detailed nitpicking debate on the details and politics of Futenma."

The tensions have flared up just ahead of Jan. 19, which marks the 50th anniversary of the U.S.-Japan security. Commentators in both countries have suggested that the base spat would mar its commemoration.

U.S. officials say instead they are hoping to use the moment to try to put the current disagreement in a broader, less-hostile context.

The current disagreement centers on the thousands of American troops stationed on the southern island of Okinawa, a presence that American officials say is essential for both U.S. and Japanese security, but which has become a political headache in Japan.

The U.S. government had agreed with the LDP to move thousands of U.S. Marines to Guam and to relocate the rest from Futenma to a more rural part of the island.

But the U.S.-LDP plan would still leave a sizable U.S. military presence in Okinawa, and Mr. Hatoyama campaigned on a promise to try to further cut the number of U.S. troops there.

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Online today: For updates on the talks go to **asia.WSJ.com**

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Final appeal begins in 'milkshake' killing

Associated Press

HONG KONG—An American expatriate convicted in Hong Kong of killing her investment banker husband after sedating him with a laced milkshake launched her final appeal of a life sentence Tuesday.

Michigan native Nancy Kissel has been in jail since her conviction in September 2005. One appeals court has upheld the ruling, but she is now seeking her last legal recourse in front of the Court of Final Appeal.

Ms. Kissel's lawyer, Gerard McCoy, argued that prosecutors improperly used information divulged at bail proceedings to support their case.

The defense argued at a bail hearing that Ms. Kissel was mentally fit to be released before her trial, but then Ms. Kissel claimed during the trial that she suffered memory loss after the killing, when she allegedly wrapped her husband's body in a rug and stashed it in a storeroom in the couple's luxury apartment complex.

Mr. McCoy said prosecutors violated Hong Kong criminal procedure when they cited the bail hearing to back their contention that Ms. Kissel was mentally sound at the time of the killing. He said Hong Kong laws bar such use of material from bail hearings, so defendants can seek bail without fear of incriminating themselves.

Ms. Kissel, 45 years old, attended Tuesday's hearing dressed in a dark suit jacket. She appeared frail, clutching the bars that enclosed the defendant's holding area, when she stood as the justices entered the courtroom. She smiled at her supporters, who included her parents, relatives and a Catholic priest.

"She's weak. She can't walk very well. She needs a good medical workup, but she's got great spirits," Ms. Kissel's mother, Jean McGlothlin, told reporters. Ms. Kissel injured her knee in prison.

Ms. McGlothlin expressed optimism about the final appeal. "I believe that we have the best group of people we could possibly have," she said.

An American expatriate convicted of murdering her investment-banker husband after sedating him with a laced milkshake begins her final appeal of a life sentence.

Separated by metal bars, Ms. Kissel spoke to her father, Ira Keeshin, briefly after Tuesday's court session before she was returned to custody in a wheelchair.

"She's holding up quite well," Mr. Keeshin said.

Ms. Kissel's trial mesmerized the wealthy world of expatriates in this Asian financial hub. She admitted to bashing her husband, Robert, a 40-year-old investment banker for Merrill Lynch, in the head in self-defense as he was threatening her with a baseball bat in a quarrel.

WORLD NEWS

Iran nuclear scientist killed by bomb

By Chip Cummins

DUBAI—A remote-controlled bomb killed a pro-opposition Tehran University professor of nuclear science, Iranian state media reported Tuesday.

The victim was identified as Masoud Ali Mohammadi, 50 years old.

Before the election, pro-reform Web sites published Prof. Mohammadi's name among a list of 240 Tehran University teachers who backed opposition leader Mir Hossein Mousavi.

A spokesman for the atomic agency, Ali Shirzadian, told the Associated Press that the professor had no link with the agency responsible for Iran's contentious nuclear program.

Attacks on Iranian officials and targets in remote provinces aren't uncommon. But a bombing in Tehran, the capital, is rare, and the target—a nuclear scientist—raised questions over whether the attack was related to Iran's controversial nuclear program. Iran says it is pursuing a peaceful nuclear program, but Western officials allege it is seeking weapons. Last year, the U.S. imposed a year-end deadline for progress in negotiations over Tehran's nuclear ambitions, and has threatened fresh economic sanctions.

Associated Press/Fars News Agency

Associated Press

Masoud Ali Mohammadi, above, was killed by a bomb near his Tehran home. Iranian firefighters were at the scene.

Tehran blamed the killing on an armed Iranian opposition group it said operated under the direction of Israel and the U.S., according to state media. Iran often accuses the two countries of meddling in its affairs. An Israeli official declined to comment.

Iran recently accused the U.S. of complicity in an alleged kidnapping of another Iranian nuclear scientist, who disappeared last year during a pilgrimage to Saudi Arabia. Washington and Saudi Arabia have dismissed any such plot.

Iranian authorities said Tuesday that a parked motorbike was booby-trapped with an explosive device that detonated near the professor's car, close to his home in north Tehran, according to Press TV, the state-run, English-language news agency.

Authorities were investigating but hadn't arrested any suspects, state media reported midday Tuesday.

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WORLD NEWS: U.S.

Banks in U.S. brace for bailout fee

Obama administration, wanting to soothe anger, aims to recoup funds put into financial firms and the auto industry

WASHINGTON—U.S. banks are bracing to get hit with a new type of tax as the Obama administration aims to introduce a fee to recoup losses associated with the government's bailout of financial firms and the auto industry.

*By **Deborah Solomon, Damian Paletta** and **Robin Sidel***

The White House hopes the fee will soothe the public's anger at financial firms. Most big banks that received public funds have repaid the government, but the industry is seen by many as having survived thanks to taxpayer support, and is now enjoying a profit rebound as the economy struggles. This month, many large banks will resume paying big bonuses to employees.

A proposal to levy a fee on banks to recoup Wall Street bailout funds could get a favorable reception in Congress as the 2010 campaign year unfolds.

Much remains uncertain about how such a fee would work. The administration is wrestling with who should pay, when it should be implemented and what would happen if banks pay more than the government-bailout program ultimately loses. Auto makers aren't currently targets of the fee idea.

Even though the proposal is still under discussion, it is expected to be included in the White House's budget, due next month, if only conceptually. It's expected to cost large banks billions of dollars and could also affect bank customers if firms pass along the cost.

White House spokesman Robert Gibbs on Monday declined to say whether the budget will include a new fee on banks. He did say President Barack Obama wants to make sure taxpayers are repaid for the financial-sector bailout.

One option under consideration involves placing a fee on a bank's liabilities, a number that theoretically represents the amount of risk a bank takes on, according to officials familiar with the matter. That approach would also have the effect of tamping down banks' risky behavior, another administration goal. Another option would be to target bank profits, these people said.

It's unclear precisely who would be subject to the fee. A person familiar with the matter said it's unlikely for now to target auto companies or **American International Group** Inc., all of which are still struggling. Homeowners who benefited from government-funded housing help also wouldn't pay the fee.

Getty Images

Barney Frank, House Financial Services Committee chairman, favors a levy to recoup Troubled Asset Relief Program costs.

A person familiar with the matter said it would make little sense to impose a fee on auto makers or AIG right now: The government owns such a large chunk of them, it would essentially result in the government paying itself.

Some within the administration believe targeting banks is justified because they benefited the most from the overall financial rescue and should bear the brunt of helping the government recoup the cost.

The proposal comes as the White House and many banks are locked in a feud about whether financial companies are doing enough to revitalize the economy.

The fee would likely be designed to avoid hitting certain segments of the financial industry, such as community banks, many of which are still struggling. The administration is trying to structure the fee so that it can't be passed along to bank customers already struggling in the weak economy, but officials concede that's hard to do. In other areas, such as overdraft fees and credit cards, banks already are passing costs of new legislation on to their customers.

"In our industry, costs are typically passed along to institutions and individual investors, so the burden will likely fall on them," said Timothy Ryan, president of the Securities Industry and Financial Markets Association. Major banks declined to comment.

The administration has been talking for months about recouping government funds likely lost through the $700 billion Troubled Asset Relief Program, as it is required to do under the legislation that created the program. The Treasury Department estimates losses from the program at $120 billion, though administration officials believe the ultimate cost will be much lower.

The fee, which would require congressional approval, could hit big banks that have already repaid their TARP funds with interest. The money would be used to compensate for losses in other areas, such as loans to Detroit's auto makers and funds used to prop up the housing sector and giant insurer AIG.

Bankers view the proposal as the latest assault on an industry still recovering from the financial meltdown. Although revenue at some big banks has returned to pre-crisis levels, the industry more broadly remains troubled, with many more banks expected to fail.

"To impose yet another burden on the industry would obviously decrease their ability to lend," said Edward Yingling, president of the American Bankers Association, a trade group. Bankers say they've already contributed through sums they paid to escape TARP and fees levied by the Federal Deposit Insurance Corp. to build up its deposit-insurance fund.

House Financial Services Committee Chairman Barney Frank (D., Mass.) said legislation that created TARP mandated that the government recoup its costs by 2013. Since the program is winding down faster than expected, a levy now would be appropriate.

"Given the mood of the country," he said, "it is essential that we do it. That was part of the deal." He declined to get into specifics about such a levy.

He said it would be unfair to make banks subsidize money given to auto companies, which could eventually account for the lion's share of lost bailout funds. It would be "premature" to force repayment from **General Motors** Co. and **Chrysler** LLC, he said, but some repayment mechanism for the auto companies should be considered.

The proposed bank fee could be hard to stop. Maryland Rep. Chris Van Hollen, a member of the Democratic leadership team in the House, said he expected the proposed fee would "have strong resonance" in Congress. "There is still a lot of anger and still a lot of frustration," he said of the mood among rank-and-file lawmakers.

Republicans could find themselves taking up the opposing argument on behalf of banks too tarnished to make the case. Rep. Jeb Hensarling (R., Texas) said banks shouldn't be penalized for making a profit, especially if they have repaid money loaned to them under the rescue plan.

"I don't want them to be on the taxpayer dole," he said. "The administration has this view ... let's punish those who make money."

—Greg Hitt, Jonathan Weisman and Henry J. Pulizzi contributed to this article.

U.S. trade gap widens, aided by surge in oil prices

By Tom Barkley

The U.S. trade deficit widened more than expected in November, as surging oil prices helped imports to outgain exports.

The U.S. deficit in international trade of goods and services expanded 9.7% to $36.40 billion from $33.19 billion the month before, the Commerce Department said Tuesday. The October trade gap was originally reported as $32.94 billion.

The November deficit was bigger than Wall Street expectations for a $34.7 billion shortfall.

While exports have registered seven straight months of gains as economic growth has returned, the rise in oil prices has brought the trade deficit back up. After a dip in October, oil imports rebounded in November.

U.S. exports in grew 0.9% to $138.24 billion, the highest level in a year, from $137.01 billion in October. Imports increased more sharply, meanwhile, rising 2.6% to $174.64 billion from $170.20 billion.

The U.S. bill for crude-oil imports in Novemer rose to $17.81 billion from $17.44 billion the month before, as higher oil prices more than offset a drop in import volumes. The average price per barrel jumped $5.15 to $72.54, the highest since October 2008. Crude import volumes fell to 245.45 million barrels, the lowest level since February 1999, from 258.83 million.

The U.S. paid $22.97 billion for all types of energy-related imports, up from $22.45 billion in October.

Trade, which was one of the few bright spots during the recent recession, has been a drag on growth as imports have outstripped exports. Net exports subtracted 0.81 of a percentage point from gross domestic product in the third quarter, when the economy expanded at a 2.2% pace. It was the first negative contribution to growth in a year.

The real, or inflation-adjusted deficit, which economists use to measure the impact of trade on GDP, rose to $40.71 billion in November from $38.33 billion the month before, Commerce said Tuesday.

Crude oil and other petroleum products boosted overall imports of industrial supplies, which gained $2.08 billion in November. Imports of foreign-made consumer goods increased $1.36 billion, while purchases of capital goods like computers rose $1.22 billion.

Food and feed imports fell $157 million, while auto and related parts imports declined $54 million.

As for exports, U.S. sales abroad of food, feed, and beverages rose $1.28 million, boosted by soybean exports. Auto exports increased $714 million and sales of capital goods were up $360 million.

By region, the U.S. trade deficit with China narrowed in November to $20.22 billion from $22.66 billion the month before. Exports to China rose by $469 million to a record $7.33 billion.

The deficit with Japan rose to $5.43 billion from $4.42 billion, while the shortfall with the euro area increased to $4.96 billion from $3.76 billion. The U.S. gap with Mexico increased to $5.14 billion from $4.55 billion, as well.

WORLD NEWS

Israeli robots remake the battlefield

Nation forges ahead in deploying unmanned military vehicles by air, sea and land; 60 years of near-constant war

By Charles Levinson

TEL AVIV, Israel—Israel is developing an army of robotic fighting machines that offers a window onto the potential future of warfare.

Sixty years of near-constant war, a low tolerance for enduring casualties in conflict, and its high-tech industry have long made Israel one of the world's leading innovators of military robotics.

"We're trying to get to unmanned vehicles everywhere on the battlefield for each platoon in the field," says Lt. Col. Oren Berebbi, head of the Israel Defense Forces' technology branch. "We can do more and more missions without putting a soldier at risk."

In 10 to 15 years, one-third of Israel's military machines will be unmanned, predicts Giora Katz, vice president of **Rafael Advanced Defense Systems** Ltd., one of Israel's leading weapons manufacturers. "We are moving into the robotic era," says Mr. Katz.

More than 40 countries have military-robotics programs. The U.S. and much of the rest of the world is betting big on the role of aerial drones. Even Hezbollah, the Iranian-backed Shiite guerrilla force in Lebanon, flew four Iranian-made drones against Israel during the 2006 Lebanon War.

When the U.S. invaded Iraq in 2003, it had just a handful of drones. Today, U.S. forces have around 7,000 unmanned vehicles in the air and an additional 12,000 on the ground, used for tasks including reconnaissance, airstrikes and bomb disposal.

In 2009, for the first time, the U.S. Air Force trained more "pilots" for unmanned aircraft than for manned fighters and bombers.

U.S. and Japanese robotics programs rival Israel's technological know-how, but Israel has shown it can move quickly to develop and deploy new devices, to meet battlefield needs, military officials say.

"The Israelis do it differently, not because they're more clever than we are, but because they live in a tough neighborhood and need to respond fast to operational issues," says Thomas Tate, a former U.S. Army lieutenant colonel who now oversees defense cooperation between the U.S. and Israel.

Among Israel's recently deployed technologies is the Guardium unmanned ground vehicle, which now drives itself along the Gaza and Lebanese borders. The Guardium was deployed to patrol for infiltrators in the wake of the abduction of soldiers doing the same job in 2006. The Guardium, developed by **G-nius** Ltd., is essentially an armored off-road golf cart with a suite of optical sensors and surveillance gear. It was put into the field for the first time 10 months ago.

In the 2006 Lebanon War, Israeli soldiers took a beating opening supply routes and ferrying food and ammunition through hostile territory to the front lines. In the Gaza conflict in January 2009, Israel unveiled remote-controlled bulldozers to help address that issue.

Within the next year, Israeli engineers expect to deploy the voice-commanded, six-wheeled Rex robot, capable of carrying 250 kilograms of gear alongside advancing infantry.

After bomb-laden fishing boats tried to take out an Israeli Navy frigate off the coast off Gaza in 2002, Rafael designed the Protector SV, an unmanned, heavily armed speedboat that today makes up a growing part of the Israeli naval fleet. The Singapore Navy has also purchased the boat and is using it in patrols in the Persian Gulf.

After Syrian missile batteries in Lebanon took a heavy toll on Israeli fighter jets in the 1973 war, Israel developed the first modern unmanned aerial vehicle, or UAV.

When Israel next invaded Lebanon in 1981, the real-time images provided by those unmanned aircraft helped Israel wipe out Syrian air defenses, without a single downed pilot. The world, including the U.S., took notice.

The Pentagon set aside its long-held skepticism about the advantages of unmanned aircraft and, in the early 1980s, bought a prototype designed by former Israeli Air Force engineer Abraham Karem. That prototype morphed into the modern-day Predator, which is made by **General Atomics Aeronautical Systems** Inc.

Unlike the U.S. and other militaries, where UAVs are flown by certified, costly-to-train fighter pilots, Israeli defense companies have recently built their UAVs with the aim of allowing an average 18-year-old recruit with just a few months' training to pilot them.

Military analysts say unmanned fighting vehicles could have a far-reaching strategic impact on the sort of asymmetrical conflicts the U.S. is fighting in Iraq and Afghanistan and that Israel faces against enemies such as Hezbollah and Hamas.

In such conflicts, robotic vehicles could allow modern conventional armies to minimize the advantages guerrilla opponents gain by their willingness to sacrifice their lives in order to inflict casualties on the enemy.

However, there are also fears that if countries no longer fear losing soldiers' lives in combat thanks to the ability to wage war with unmanned vehicles, they may prove more willing to initiate conflict.

Israel and the U.S. have already faced backlash over civilian deaths caused by drone-fired missiles in Gaza, Pakistan and Afghanistan. Engineers say unmanned air, sea and ground vehicles will increasingly work together in coming years without human involvement, and those ethical dilemmas could increase.

David Furst/ AFP for The Wall Street Journal

Israel pioneered the use of aerial drones like the Heron, under construction, above, at Israeli Aerospace Industries.

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THE PROPERTY REPORT

Big Chinese firms take to skyline

Seeing profits, companies jump into commercial real-estate sector; hopping onto environmental bandwagon

By Jonathan Cheng

GUANGZHOU, China—What is being billed as the world's most energy-efficient skyscraper is being built here in the center of one of China's smoggiest cities, with four big wind turbines, solar panels and a dual-layer glass skin that traps sunlight and pipes it into the building's heating system.

The unlikely champion behind this green urban project: state-owned **China National Tobacco** Co.

"We are a tobacco company, but the management is also thinking about the future and reducing emissions. This building can really serve as a model for future development," the project's chief engineer, Hu Baiju, said during a recent interview between puffs of a cigarette.

This unusual marriage of interests reflects two trends. China hopes to leapfrog the U.S. by taking the lead in developing new green technologies that have long-term growth potential. At the same time, state-owned businesses in industries as disparate as insurance and tobacco have become a force in China's commercial real-estate sector, putting up the cash to develop some of the most eye-catching skyscrapers in the world.

These large corporations are drawn to the projects by potentially lucrative returns and are helped by strong connections and easy access to state bank lending. While these companies typically occupy some of the space they build, they often put much of it on the market to lease to others. China National Tobacco plans to lease most of the 71 floors in its new project.

Ping An Insurance (Group) Co. of China already has committed to investing about 25 billion yuan ($3.66 billion) in Chinese property over the next three years through a trust. It now is working on what will be one of China's tallest buildings, in the city of Shenzhen, financing the multibillion-yuan skyscraper entirely with its own capital.

China's state-owned enterprises also have been shaking up property prices, both at record-breaking government-land auctions and on the secondary office market. Last autumn, **Agricultural Bank of China** paid about US$550 million for a top-grade Shanghai office tower, according to brokers.

"Before 2009, there were relatively few state-owned enterprises involved in land sales and property markets; most concentrated on their own businesses," said Hing-yin Lee, a Shanghai property broker for Colliers International. Now, he said, "they see that easy profits can be made."

Mark Latham, Shanghai-based head of office services for CB Richard Ellis in China, said state-owned enterprises are big employers that are expanding quickly in China, and see constructing and buying landmark buildings as a way to put their "badge" on a high-profile skyline.

"[State-owned enterprises] have the opportunity to acquire sites in prime locations and have the cash or access to cash to be able to develop buildings tailored and customized according to their specific requirements," Mr. Latham said.

Office-vacancy levels are around 20% in Beijing and 16% in Shanghai. Those are high rates by U.S. and European standards, but the new space is expected to be absorbed quickly thanks to the strong growth of the Chinese economy.

Also, much of the vacant space is second rate, so demand for the newly built prime space may be strong.

State-owned enterprises also are keen to show that they are in step with the priorities of national and regional officials, who have made it clear that green companies and those constructing sustainable buildings are going to enjoy more official support.

In the case of the Pearl River Tower, as China National Tobacco's tower is known, the company's management decided to make the green plunge at the encouragement of Guangzhou's municipal leaders, who set aside a large swath of prime farmland for a new business district and encouraged state-owned corporations to participate.

China National Tobacco decided it would build a landmark environmental building, and four years ago, through a subsidiary company, hired Chicago architects **Skidmore, Owings and Merrill** LLP to fashion the world's first "zero-energy" skyscraper, generating all the energy it needed to operate itself.

Skidmore Owings embedded the tower with triple-glazed facades and solar panels, and chilled radiant ceilings. Its showpiece: four power-generating vertical-axis wind turbines.

"A lot of clients say they want to build something very energy-efficient, but in this case, they really followed through with that goal," said Ame Engelhart, a Hong Kong-based Skidmore associate involved with the project.

The project is expected to be completed in about a year.

Ms. Engelhart said China National Tobacco is one of the few companies willing to put its money where its mouth is on environmental issues. While the building won't be smoke-free, it will restrict smoking to designated areas, a far cry from China's typically hazy workplaces.

Ms. Engelhart said a building like the Pearl River Tower costs about 10% to 15% more than without the energy-efficient features, but said the projected cost savings could mean the building breaks even within five years.

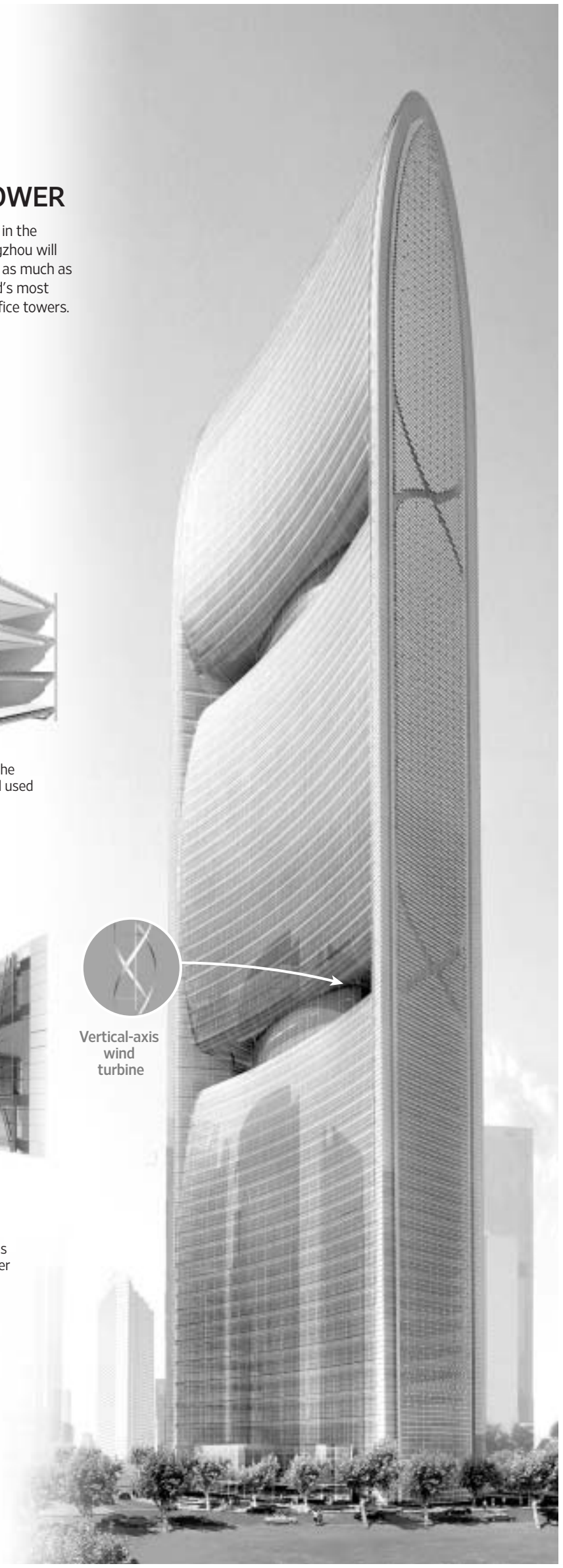
Some of Skidmore's ideas, including "microturbines" that would sell extra capacity back into Guangzhou's power grid, were barred by municipal regulations. But Skidmore still maintains that the 2.2-million-square-foot tower will consume about 8.76 billion pounds of carbon dioxide over its life cycle, 58% less than a nonenhanced building of the same scale.

The municipal government of Guangzhou's construction arm, Guangzhou City Construction & Development Co., also is getting in the act, having hired **Wilkinson Eyre Architects** of London to design a 103-story skyscraper not far from China National Tobacco's tower.

The 750 million-yuan building, set to open in October as the Guangzhou International Finance Center, features high-efficiency chilled water systems and heat recovery design, an air-conditioning system that recycles condensed water, built-in carbon dioxide sensors and double-glazed windows.

PEARL RIVER TOWER

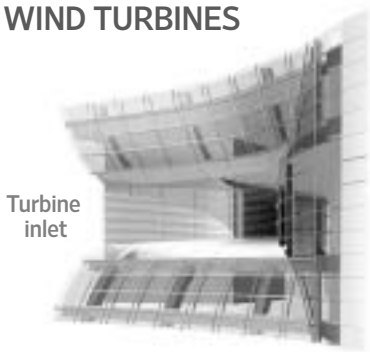
The 71-story Pearl River Tower in the southern Chinese city of Guangzhou will reduce energy consumption by as much as 58%, making it one of the world's most energy-efficient commercial office towers.



THE FAÇADE

Solar energy is collected within the building's double-wall façade and used to regulate internal building temperature.

WIND TURBINES



Four wind turbines, installed on two levels, harness energy from prevailing winds that is used to dehumidify the building. The building also includes solar panels and a high-efficiency chilled-water system for regulating air temperature.

Source: Skidmore, Owings & Merrill LLP

Guests of Ho Chi Minh

It's been said that Vietnam aims to copy China's economic development model. Trying to frighten foreign investors into line, a la Beijing and Rio Tinto, isn't a lesson worth copying, especially for a poor country trying to join the league of middle-income nations.

We're referring to the case of Daniela Marsilli and Tristan Freeman, the chief operating officer and chief financial officer of Qantas Airways Ltd.'s Vietnamese operation, JetStar Pacific. Both Australians have been banned from leaving Vietnam since December 19, and are stuck in Ho Chi Minh. Their story belatedly came to light when a state-owned newspaper Thursday revealed the two, along with JetStar Pacific's Vietnamese former chief executive, Luong Hoia Nam, are the subject of an investigation into the airline's losses, executive salaries and $31-million-dollar's worth of bad bets last fiscal year on fuel-hedging contracts.

In any normal country, issues of profit, pay and risk-taking are for a company's board of directors to decide. But JetStar Pacific's board is accountable not just to its shareholders—it is accountable to the authoritarian Communist Party government. The State Capital Investment Corporation owns 70% of the company; Qantas, 27%; and state-owned Saigon Tourist Holding Company and Mr. Nam, the balance. Four out of six board members are Party members; the other two are from Qantas.

> How not to win friends or attract foreign investment.

Mr. Nam and Qantas CEO Alan Joyce say they made business judgments that were sanctioned by the board. Qantas invested in Vietnam in 2007, so it isn't unusual not to turn a profit for a few years, and it's publicly listed, so already accountable to shareholders. As for the 2007-08 hedging contracts, JetStar Pacific certainly wasn't alone in making the wrong bet when the price of fuel was skyrocketing. Cathay Pacific lost $980 million on hedging contracts last fiscal year; Singapore Airlines lost a bundle too, as did Chinese state-owned carriers.

Vietnam claims that it has an obligation to keep Ms. Marsilli and Mr. Freeman in country while authorities investigate who bears "responsibility" for "heavy financial loss." This smells like China's excuse for its treatment of Rio Tinto executive—and Australian citizen—Stern Hu, who is currently being held in Shanghai on suspicion of taking bribes and violating commercial secrets. Mr. Hu was seized last year after Rio rejected a proposed a Chinese state-owned company investment, and is still in custody. He is not expected to get a fair trial, if the case goes that far, given China's politicized and corrupt judiciary.

The Ministry of Foreign Affairs is trying to make the Jetstar Pacific dispute sound like normal business practice, which it isn't anywhere else in the world. A spokesman e-mailed us a statement Monday and said the two "have to make themselves present in Vietnam to respond to the requests from Vietnam's legal authorities in a timely manner." That's a flimsy excuse for bullying two people who haven't been charged with a crime. Mr. Nam is worse off: As a Vietnamese citizen, he has fewer rights, and has already been arrested.

Vietnam has tried this kind of strong-arming before. In 2006, a state-owned bank lost $5.6 million in speculative foreign-currency trades. So Hanoi took hostage four employees of the Dutch bank that facilitated the trades. That case came to a head when the Vietnam's premier weighed in and demanded a ransom. The bank, ABN-AMRO gave up and paid $4.5 million for their employees' release.

A similar ploy may be at work here, too, or it may be an internal Party row playing out. It's hard to tell since neither Qantas nor the Vietnamese government are releasing many details surrounding JetStar Pacific's internal business decisions. The Australian government isn't helping matters much either by issuing mealy-mouthed statements about "providing consular assistance" to Ms. Marsilli and Mr. Freeman, rather than strongly calling for their freedom.

Vietnam is a poor country that investors have largely avoided over the past year as reform momentum stalls. The JetStar Pacific case, like the Rio case in China, will only make them warier.

Democracy's Wane

After the West won the Cold War, democracy flourished in the world as never before. No more. The tide of political and human freedom hasn't merely slowed but in recent years has turned in the other direction. Seeing that the U.S. midwifed the post-1989 world, these trends are of more than passing interest.

Democracy's troubles are summed up in "Freedom in the World 2010," the yearly report card published Tuesday by Freedom House. We're in a "freedom recession," the advocacy group says. For the fourth consecutive year, more countries saw declines in political and civic rights than advances, the longest such period of deterioration in the 40 year history of this widely cited report.

Start with the "axis of engagement" states that President Obama sought to butter up diplomatically in his first year in office. The authoritarian regimes in Russia, Venezuela, Iran and China all became more repressive in 2009, according to Freedom House measures. America's attempts to play nice didn't make the other side any nicer.

The Mideast remains the world's least fertile soil for democracy. Only one nation—Israel—qualifies as "free." Most of its Arab neighbors went further down the path of repression.

The picture isn't all gloomy. Eighty-nine countries—which represent nearly half the world's population—are "free," according to the Freedom House measures, and 116 are electoral democracies. Twenty years ago, only 61 and 76 fit those respective categories. Never before have as many people lived without tyranny.

The recent reversals coincide, however, with America's own waning interest in democracy promotion. This didn't start with the Obama ascendancy. Chastened by the 2006 midterm election debacle and sinking public support for his Mideast policies, President Bush took rhetorical and practical emphasis off his own flagship foreign-policy agenda.

The current Administration has changed the focus entirely. In its dealings with Russia and China, strategic issues trump any talk of democracy or human rights, which earlier this year in Beijing Secretary of State Hillary Clinton notably called a distraction to bilateral relations. Ditto in Iran.

Meanwhile, the enemies of democracy have set out to undo the gains of the post-Berlin Wall era, and many are succeeding.

The Trouble with Harry

We can think of several reasons for Harry Reid to resign as Senate Majority Leader, though the flap over his obtuse racial comments isn't one of them. The uproar is nonetheless instructive about the perils of identity politics.

Mr. Reid is apologizing to all and sundry for saying in private in 2008 that Barack Obama should run for President because he was "light-skinned" and spoke with "no Negro dialect, unless he wanted to have one." Republicans are calling for Mr. Reid to resign, on grounds of the Trent Lott precedent.

When the Republican leader in 2002 joked at a birthday party for Strom Thurmond that America might have been better off had the one-time Dixiecrat won his 1948 Presidential campaign, Democrats demanded Mr. Lott's resignation. An Illinois state senator with a big political future went so far as to suggest at the time that Republicans needed to "drive out" Mr. Lott to "stand for something." Mr. Lott resigned, notwithstanding his profuse apologies.

In contrast, Mr. Obama and various black Democrats have rushed to Mr. Reid's defense. The President said he accepted Mr. Reid's apology because "I've known him for years, I've seen the passionate leadership he's shown on issues of social justice and I know what's in his heart."

We've never peered into Mr. Reid's heart, but here's hoping the President will be equally quick to absolve the next Republican who says something stupid about race. Not every racial malaprop merits political banishment, and it would be edifying to the American public to hear this President say so on behalf of someone who isn't a partisan ally.

Some Americans, white and black, might be more insulted by Mr. Reid's implication that most Americans—45 years after the Civil Rights Act of 1964—are still so residually racist that they would only vote for a black candidate who isn't really . . . black. In reality, in November 2008 Americans were more than ready to elect a black politician who campaigned to be President of all Americans, in contrast to previous candidates who ran expressly and principally as candidates of black America. Democrats like Mr. Reid still see the American electorate through the prism of identity politics, which leads them to such condescending conclusions.

Harry Reid

The irony is that Democrats are increasingly the victims of this kind of racial politicking. Bill Clinton's dismissal of Mr. Obama as a Jesse Jackson-style "black candidate" hurt his wife's candidacy in 2008. Democratic Congressman Artur Davis, vying to become the first black governor of Alabama, has been declared a traitor to his race for having voted against Nancy Pelosi's health bill.

Mr. Reid's allies are even now responding to critics by playing the race card. Democrats are pointing to the NAACP's voting assessments of Republicans who have called on him to resign. "Senator Reid's record provides a stark contrast to actions of Republicans to block legislation that would benefit poor and minority communities—most recently reflected in Republican opposition to the health bill," says Congressional Black Caucus leader Barbara Lee (D., Calif.). Thus do Mr. Reid's ill-chosen words morph into the accusation that *Republicans* are racist for opposing government health care.

In any event, this is hardly Mr. Reid's worst rhetorical offense. That prize goes to his all too public comments in April 2007 that "the war is lost" in Iraq, even as the surge was finally making victory possible. That was a betrayal of American soldiers risking their lives in Iraq, and to the extent it emboldened the enemy, it may have cost American lives.

If Mr. Reid has apologized for that defeatism, we don't recall it. That's reason enough to resign.

Letters To The Editor

* * *

The Cost of Relying on Government in Japan

Regarding the editorial "No Plan for Japan," (Review & Outlook, Jan. 6) I would agree if, by saying "Mr. Hatoyama and his Democratic Party of Japan-led government are reverting to picking winners," the piece means that it is unwise for the government to pick winners through public subsidies and other measures.

I believe it would be much more important for sustainable economic growth to build appropriate economic foundations through tax cuts, deregulation, and efficient financial and labor markets to encourage businesses and entrepreneurs to find prospective markets and technologies, rather than to have government fix the future direction of the economy. That has been one of the most important factors behind the U.S. thriving in the past decades, and it is what Japan needs the most.

But I have great anxiety to see many Japanese business executives and analysts requesting from the government a set of policies—a "growth strategy"—that involves picking winners. It seems to me they are eager to get government guarantees on prospective markets, even though these markets essentially should be chosen by themselves, not by government. They don't understand that their attitude of avoiding risk was one of the biggest factors in Japan's "lost decade."

Tetsuro Sugiura
Chief Economist
Mizuho Research Institute
Tokyo

* * *

Service Was No Fellow Traveler

In his review of my book "Honorable Survivor" (Bookshelf, Dec. 15), Jonathan Mirsky presents startling new revelations from two phone conversations Mr. Mirsky claims to have had with John S. "Jack" Service "shortly before he died"—that is, over 10 years ago—confessing that he had given the Amerasia editor "a top-secret document revealing the Nationalist Order of Battle" that showed "the exact disposition of the forces facing the Mao's troops." (Service was never able to see the evidence being used against him during his lifetime—and so it continues a decade after his death.)

I conducted extensive interviews with Service during the last year of his life and he never mentioned this to me or to others who knew him well.

On the night of his arrest in June 1945, Service freely admitted to the FBI that he let the magazine editor borrow some personal copies of reports he had written in Yenan. The FBI found the fingerprints and notations of another State Department employee on other Service reports found in the Amerasia office. Even the Loyalty Review Board reported there "was no evidence that the employee stole or abstracted . . . any official files," while instructing the Secretary of State to fire Service for "doubt of loyalty." Moreover, Service's activities took place in the context of an ongoing debate over China policy inside the U.S. government, continuing throughout 1944-45. Even Ambassador Patrick Hurley was still working to bring the Communists into some form of coalition government with the Nationalists.

After his reinstatement in 1957, following a unanimous ruling of the U.S. Supreme Court, Service admitted he had broken security regulations and told investigators, "It is not a pleasant thing to say but, yes, I was certainly being used." Years later, Service told me he also regretted having become a zealous advocate of a particular policy option. His intention had been to promote a realistic U.S. policy aimed at "averting, or blunting, civil war and . . . preserving our relations with China, if not as the close friend and ally we once hoped for, at least on a basis better than bitter enmity." These seem hardly the words of a Communist or fellow traveler.

Lynne Joiner
San Francisco

* * *

Obama Aims Too Low on Taiwan

Your January 11 editorial, "A Taiwan Lesson," leaves unclear one key fact about the recent U.S. sale of PAC-3 antimissile batteries to Taiwan: This action is simply the finalization of a Bush-era contract. President Obama himself has made no notification to Congress on arms sales already agreed to by the U.S. and Taiwan, including more PAC-3s, Blackhawk helicopters and assistance with Taiwan's military communications network. These and the decision to accept Taiwan's request for F-16C/Ds are the big decisions out there.

I'm afraid if we set the "the limit to how far the administration is willing to go to improve relations with China" at simply following through on Bush-era sales, we aim too low. Frankly, I also fear it is a limit the Obama administration may readily accept.

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Can Intelligence Be Intelligent?

[Global View]

By Bret Stephens

"Intelligence," Daniel Patrick Moynihan once observed, "is not to be confused with intelligence." To read two recent analyses of U.S. intelligence failures is to be reminded of the truth of that statement, albeit in very different ways.

Exhibit A is last week's unclassified White House memo on the attempted bombing of Flight 253 over the skies of Detroit. Though billed by National Security Adviser Jim Jones as a bombshell in its own right, the memo reads more like the bureaucratic equivalent of the old doctor joke about the operation succeeding and the patient dying. The counterterrorism system, it tells us, works extremely well and the people who staff it are top-notch. No doubt. It just happens that in this one case, this same terrific system failed comprehensively at the most elementary levels.

For contrast—and intellectual relief—turn to an unsparing new report on the U.S. military's intelligence operations in Afghanistan. "Eight years into the war in Afghanistan, the U.S. intelligence community is only marginally relevant to the overall strategy," it begins. "U.S. intelligence officers and analysts can do little but shrug in response to high level decision-makers seeking the knowledge, analysis, and information they need to wage successful counterinsurgency."

That's not happy talk, particularly given that it comes from the man who now runs the Army's intelligence efforts in the country, Major General Michael T. Flynn. But Gen. Flynn, along with co-authors Paul Batchelor of the Defense Intelligence Agency and Marine Captain (and former Journal reporter) Matt Pottinger, are just getting warmed up. Current intel products, they write, "tell ground units little they do not already know." The intelligence community is "strangely oblivious of how little its analytical products, as they now exist, actually influence commanders." There is little by way of personal accountability: "Except in rare cases, ineffective intel officers are allowed to stick around."

All this is told in prose that is crisp, engaging and almost miraculously free of bureaucratic gobbledygook. The report illuminates the distinction between the kind of intel needed for anti-insurgency—information about the bad guys—as opposed to that needed for counterinsurgency: That is, the kind that tells you something about the people you are fighting for (and who you eventually want to get to do the fighting *for* you), and what they actually need and want.

Reuters

Soldiers in Afghanistan are hindered by weak intelligence.

Case study in point: As recently as last June, the Nawa district in Afghanistan's embattled Helmand Province was largely under the Taliban's control. "American and British troops could not venture a kilometer from their base without confronting machine gun and rocket fire from insurgents. Local farmers, wary of reprisals by the Taliban, refused to make eye contact with foreign soldiers, much less speak with them or offer valuable battlefield and other demographic information."

But that began to change in July with the arrival of 800 Marines, who fanned out through the district with the goal of discovering its so-called anchor points: "local personalities and local grievances that, if skillfully exploited, could drive a wedge between insurgents and the greater population."

In Nawa, the anchor point turned out to be the resentment of local elders to the Taliban's usurpation of their traditional authority. As in Anbar province in Iraq, winning the trust of those elders turned out to be more important for Nawa's rapid transformation into a relatively thriving, peaceful place than simply killing Talibs.

This is the sort of story that we'd all like to see replicated throughout Afghanistan. Yet the success in Nawa was never communicated through official channels, and became known mainly through the media. When it comes to bureaucracies, including the military's, information always seeks a cubby hole. That's also where it tends to stay.

The report's solution, in part, is the creation of new information centers that can synthesize intelligence as it works its way from the bottom up. But the more important recommendation concerns the type of officer who would staff these centers: "Analysts must absorb information with the thoroughness of historians, organize it with the skill of librarians, and disseminate it with the zeal of a journalist," the authors write. "Sufficient knowledge will not come from slides with little more text than a comic strip."

Uh oh: A military analyst without his PowerPoint? Terrifying as the thought may be to many of its current practitioners, the true art of intelligence requires, well, intelligence. That is a function neither of technology nor of "systems," which begin as efforts to supplement and enhance the work of intelligence and typically wind up as substitutes for it. It is, instead, a matter of experience, intellect, initiative and judgment, nurtured within institutions that welcome gadflies in their midst.

It remains to be seen whether the report's ideas will be put fully into practice, or whether the administration will fight the war long enough for them to make a difference. But there's no doubting that the Pentagon got lucky when Gen. Flynn, Capt. Pottinger and Mr. Batchelor managed to find one another and allowed them to have their say. Judging from recent performances, you've got to wonder how often that happens at other institutions of state that too often mistake intelligence for intelligence.

Write to bstephens@wsj.com

Notable & Quotable

Former Council on Foreign Relations President Les Gelb writing Thursday in the Daily Beast:

President Obama warns against "extremism." Former Vice President Dick Cheney declaims against "terrorists." But they hardly ever bark the essential word, the almost always absent critical adjective: Muslim. Almost all the terrorist and extremist violence in the world today is committed by Muslims—and in most instances, the victims are Muslims themselves. What's afoot here is Muslim extremism—despite the fact that the great majority of Muslims aren't radicals and condemn terrorism.

President Obama got somewhat more specific in his press appearance Thursday regarding the Christmas bombing attempt. He said that the United States was "at war against al Qaeda." Indeed, we are, and al Qaeda is surely the main Muslim terrorist organization we are fighting. But it is not the only one. Many of the Muslim terrorist groups around the world are their own bosses, particularly in Asia and also in the Middle East. Nonetheless, he still avoided the Muslim nature of the problem.

The omission of the word "Muslim" usually stems from political correctness, the desire not to offend. On most occasions, this gloss does no great harm and can be overlooked. But the failure to nail the problem squarely by name causes grave difficulties: It impedes the process of finding realistic solutions. Specifically, it leads Washington to think of American solutions to terrorism more so than Muslim ones. It puts the greatest onus on American resources and actions, on our values and our philosophies—rather than on the great majority of moderate Muslims, their values, their religion, their culture, their concrete actions, and their getting involved at the ground level in the mud and muck. If the battle against Muslim terrorism is to be won, moderate Muslims will have to do the heavy lifting, and explain to us how we can best help them. If Americans and Westerners continue to take the lead, it will remain an "us vs. them" war.

OPINION

The Climate is Changing

By Tom Switzer

When I say the climate is changing, I do not mean, as many people do, that man-made global warming is destroying Planet Earth. I mean that the politics of climate change is changing rapidly all over the globe. Al Gore's moment has come and gone.

In the United States, Democrats, nervously facing midterm elections, are calling on President Obama to jettison the cap-and-trade bills before the Senate. In

The rise of Tony Abbott is part of a worldwide reconsideration of the costs of cap-and-trade.

Canada, the emissions-trading scheme—another term for cap-and-trade—is stalled in legislative limbo. In Britain, Tories are coming out against David Cameron's green stance. In the European Union, cap-and-trade has been the victim of fraudulent traders and the carbon price has more than halved to $18.50 per ton. In France, the Constitutional Council has blocked President Nicolas Sarkozy's tax on carbon emissions that was set to take effect in the New Year.

In Copenhagen, meanwhile, the United Nations' climate-change summit went up in smoke. And in Mexico City later this year hopes for any verifiable, enforceable and legally binding agreement to reduce greenhouse gases—and to bring in developing nations such as China and India that were, insanely, omitted from the Kyoto protocol in 1997—are a chimera.

Add to this that Washington was buried by record-breaking snowfalls last month, that hurricane activity is at a 30-year low in the U.S., that London is bracing itself for its coldest winter in decades, and that there has still been no recorded global warming this century, and it is no wonder public skepticism is rising across the world.

Nowhere is the changing climate more evident than in Australia. Last month, the Senate voted down the Labor Government's legislation to implement an emissions-trading scheme. Polls show most Aussies oppose the complicated cap-and-trade system if China and India continue to chug along the smoky path to prosperity. The center-right Liberal-led opposition, moreover, is now led by Tony Abbott, a culture warrior who has described man-made global warming in language unfit to print in a family newspaper and cap-and-trade as "a great big tax to create a great big slush fund to provide politicized handouts, run by a giant bureaucracy."

Until Mr. Abbott's election as opposition leader last month, the climate debate in Australia had been conducted in a heretic-hunting, anti-intellectual atmosphere. Prime Minister Kevin Rudd claimed that climate change is the "greatest moral, economic and social challenge of our time." In clear breach of the great liberal anti-

David Klein

communist Sidney Hook's rule of controversy—"Before impugning an opponent's motives, answer his arguments"—Mr. Rudd linked "world government conspiracy theorists" and "climate-change deniers" to "vested interests." Much of the media, business and scientific establishment deemed it blasphemy that anyone dare question his Labor Party's grand ambitions.

Australians had heard a lot of science, much of it poorly explained. But the "dismal science" had been conspicuously absent from the climate debate. There was very little serious analysis of the economic consequences of climate change: What choices did we have to mitigate its effects, and how much would these choices cost us? Labor ministers had emitted a lot of hot air about global warming and the urgency with which resource-rich Australia (which accounts for only 1.4% of global emissions) must act.

All of this has now utterly changed: Australia's debate has entered a new phase, one that goes beyond the religious fervor and feel-good gestures that had held sway all too often. Suddenly, political strategists are thinking the unthinkable: far from presaging an electoral debacle that was inevitable under Mr. Abbott's green predecessor Malcolm Turnbull, the issue could be a godsend for conservatives Down Under.

Already, Mr. Abbott—an Anglophile, Rhodes scholar, patron saint of Australian conservatives and protégé of former Prime Minister John Howard—is gaining ground in the polls. In their first test at the ballot box since they killed the government's climate legislation last month, his Liberal Party recorded impressive victories in by-elections in Sydney and Melbourne—confounding the conventional wisdom that opposition to cap-and-trade will damage a center-right party in metropolitan seats.

In this environment, Mr. Abbott deserves praise for persuading Australia's conservatives to fight Labor on climate change—even when the liberal wing of his own party would happily bow to Mr. Rudd. Not only will he raise the temperature over the inevitable higher costs in energy, transport and groceries under the next tax—and thus appeal to Labor's working-class and coal mining and other energy-intensive constituencies—Mr. Abbott will also radiate the technological optimism that has characterized the human species since time immemorial. His case is not an appeal to do nothing, but to avoid doing something stupid. And unilateral Australian action in a post-Copenhagen world would be stupid: Economic Pain For No Environmental Gain. Not a bad slogan during an election scare campaign.

To be sure, Mr. Rudd remains politically popular on the back of a strong local economy that has weathered the global financial storm. But as the changing climate shows, Mr. Abbott is tapping into a more skeptical mood about climate change. If he wins the federal election later this year, Australia's opposition leader will be a role model to conservative skeptics around the world.

Mr. Switzer is a research associate at Sydney University's United States Studies Centre and editor of the Spectator Australia.

Global 'Imbalances' and the Crisis

By David Backus And Thomas Cooley

In the 1920s, capital began flowing from Massachusetts to North Carolina, a process that continued until after World War II as textile mills migrated to the South from New England. Beginning in the 1950s capital moved again as textile manufacturing moved to Mexico, India and Malaysia. Capital has long moved to where it can be used most productively, and by and large, that has been a good thing.

Whether capital moves within a country or between countries, its flow addresses imbalances between available local capital and uses for capital (otherwise known as investments). Through much of history, the major capital flows have been from rich countries to poorer ones. England financed canals in this country and railroads in Australia and India.

That's no longer the case. The most notable importer of capital in recent times has been the United States. Australia, Spain and the United Kingdom have also been importers of capital. Germany, Japan, China and Switzerland have been significant exporters of capital. Over the past 10 years, oil-exporting countries have been exporters of capital.

These facts are collectively referred to as "global imbalances." The standard view in policy circles is that they represent a serious threat to economic stability rather than a sensible market reallocation of capital. In the standard view, such imbalances are "unsustainable" and the longer they last, the more drastic and painful will be the ultimate "adjustment." After 25 years of such threats, you might think positions would change. Instead, the same people are now arguing that these capital flows were one of the root causes of the financial crisis.

The shorthand version of how global imbalances caused the crisis goes something like this: Capital exporting countries flooded the U.S. with savings looking for safe returns. Many of them purchased not equity or textile mills, but U.S. government and agency debt issued by Fannie Mae and Freddie Mac, for example. These flows (and loose monetary policy) kept interest rates low, making it easy for individuals and financial institutions to load themselves up with debt in the U.S., thereby fueling a runup and then a crash in home prices. In short: China made us do it.

Thus the clamor to rectify global imbalances. In the case of the U.S., doing something presumably means increasing domestic savings and dealing with our federal government's deficit. In the case of China, doing something presumably means revaluing its currency. Both are reasonable choices, in our view, but have little to do with the current account deficit (the net amount of capital flowing into the country). Throughout the 1990s, even in years of budget surpluses, the current account was growing. That suggests that something deeper is going on. But what? Why does so much of the world want to park its savings in the U.S.? Here are some reasons that deserve mention:

Don't blame international capital flows for the runup and crash in U.S. home prices.

• *The dollar is the de facto international reserve currency.* Speculation that other currencies will replace the dollar in the near future are simply not credible. China could create a basket of currencies to peg the yuan to instead of pegging to the dollar, but that is not a practical alternative at the moment.

• *U.S. Treasurys are the deepest and most liquid market of safe securities in the world.* This was clear during the financial crisis, when investors worldwide drove interest rates on U.S. government debt to zero, even though the U.S. was ground zero for the crisis. The euro zone seems like a natural alternative, but its fractured government bond market is both less liquid and (to judge by recent credit default swap spreads) more risky than the U.S.

It seems like ancient history now, but 10 years ago there was concern that, because of budget surpluses, at some point there wouldn't be enough Treasury debt to go around. The Bush administration eliminated that concern, and the Obama administration shows no sign of changing course.

• *The U.S. has good institutions.* Despite obvious issues with financial regulation, the U.S. has one of the most investor-friendly capital markets in the world. Investors from China, Norway, and Saudi Arabia understand this.

• *The U.S. has favorable demographics.* This is a subtle, and often overlooked, reason capital flows to the U.S. Populations in the European Union, Japan and China are aging more rapidly than ours is. If young and middle-aged workers save more than the old retirees, you would expect to see them export capital initially, as they save for retirement, and import capital once enough people are retired. The U.S. population, in contrast, is aging more slowly, in part due to immigration.

Considered together, the net effect of this demographic transition is that for the next 20 years or so the current account deficit will get worse rather than better as more savings flow from the European Union, Asia and elsewhere to the U.S. These demographic forces are locked in place—there's little likelihood of large changes over the next 20 years.

• *High energy prices don't last forever.* Oil exporters know that the high prices of a couple years ago are unlikely to be permanent. They therefore decided to save some of the increased income and invest it in safe markets abroad. The U.S. is on the receiving end. We saw this in the 1970s, and again in the early part of this decade.

International capital flows have become huge, and they are arguably a more important part of the global economy in the past decade than ever before. But are they at the heart of the financial crisis, and do we need to control them?

We find it hard to buy the argument that they caused the crisis. Certainly the blame lies closer to home. More than that, the capital flows we've seen—the global imbalances that are said to threaten our economic well-being—have more benign explanations that we find more persuasive.

Mr. Backus is a professor of finance and economics at the New York University Stern School of Business. Mr. Cooley is a former dean and an economics professor at the New York University Stern School of Economics.

IN DEPTH

Agence France-Presse/Getty Images

The French government slashed value-added tax on restaurants in July, hoping to lure customers back into eateries suffering from the downturn.

Small firms cast large cloud over a European comeback

Credit crunch accelerated downtrend and the companies lacked financial and marketing heft to seek new foreign markets

By Alessandra Galloni And Sebastian Moffett
Varese, Italy

RAFFAELLA Prestinoni's sweaters business in this northern Italian industrial town used to be one of the millions of family-run companies anchoring the European economy.

Today, companies such as hers threaten to dent the Continent's recovery.

Heavily dependent upon hard-to-get bank loans and shut out of Europe's embryonic corporate-bond market, small and medium businesses here have been hit hard. The result: widespread insolvencies, job losses and a cloud over Europe's growth prospects in 2010.

Of the small and medium European firms that applied for a bank loan in the first half of 2009, 43% reported a drop in the availability of credit over the previous half-year, while just 10% cited an improvement, according to the most recent figures from the European Central Bank.

In the wake of the biggest global financial crisis in decades, the yelps from small businesses in Europe are similar to those now heard in America. Lending to small U.S. businesses is a large and growing political issue, as small companies complain to Congress, the White House and the Federal Reserve that they aren't able to get loans on favorable terms.

A monthly survey by the National Federation of Independent Business, a U.S. small-business group, showed that of companies wanting to borrow money in November, a net 15% reported more difficulty getting a loan than in their previous try.

As important as small businesses are to the U.S. economy, the problem may be even more acute in Europe. Companies with fewer than 250 workers account for 70% of the private-sector work force in the European Union, compared with 49% in the U.S., according to EU figures. Business also relies more on banks in Europe than in the U.S. where, at least for bigger firms, capital markets are an important source of finance.

When Ms. Prestinoni couldn't get a bank loan, she sold two family homes and applied for a government-backed debt-relief program, aimed specifically at small firms. That made it possible to pay suppliers and help delay payment on an €80,000 ($115,000) industrial knitting machine. After sales of her colored crew necks dropped 15% last year, however, "I'm bracing for this year with terror," she says.

Not all small businesses are affected equally by the crunch. The German economy depends on the so-called Mittelstand small and medium firms that employ some 70% of the country's private-sector work force. But unlike in France, Italy and Spain, German firms piled on less debt over the years, so are suffering less now.

European governments have introduced several measures targeted at small business. France and Germany have named credit czars to bolster contacts—and credit lines—between banks and small firms.

In the U.S., the Treasury Department is devising a plan to offer government capital to small and midsize banks—which are reluctant to take it because of the stigma attached—by casting the aid as a measure aimed at small-business lending.

In Europe and the U.S., bankers say examiners are scrutinizing loans closely. And many small businesses just aren't good risks given the fragility of the economy.

Banks deny they have left this part of corporate Europe in the lurch. "As bankers, it is in our interest to lend money," says Séverin Cabannes, co-chief executive of France's of Société Générale. Banks, including Intesa Sanpaolo of Italy and France's BNP Paribas, have recently made explicit commitments to extend credit to small firms.

The credit crunch has accelerated a downward trend for Europe's small firms. Over the past decade, many have stayed in sectors, such as textiles and shoemaking, in which they can no longer compete against cheaper Chinese products. With the 1999 debut of the single European currency, euro-member states lost their ability to devalue their currency to help manufacturers compete on

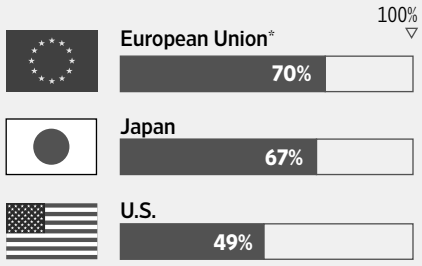
IN DEPTH

Bloomberg News (2)

Small and midsize businesses in Europe, heavily dependent upon hard-to-get bank loans, have been hard hit by the downturn. A delicatessen in Rome, above, and hair salon in Paris, left.

A big role

Employment at businesses with fewer than 250 workers, as a percentage of all private-sector employment



*Based on 19-member European Union
Source: European Union

price. As the euro has risen against the dollar, small firms have lacked the financial and marketing heft to seek new foreign markets.

Another problem: Many small and medium firms in Europe are still owned by families that have resisted hiring professional managers or opening up to outside investors. That's why economists say the shock of the credit crunch could force a wave of consolidation.

"There are likely to be at least as many defaults in 2010 as in 2009," says Raoul Ascari, chief operating officer at Italian state-owned credit-insurance agency SACE. "Clearly, it will be in the interest of small companies to merge."

A merger allowed Giuseppe Morandini to save his family's 90-year-old brick-making business. Since the early 1920s, Fornaci Morandini had feuded with two rival brick makers in its home town of Udine, in northeastern Italy. Mr. Morandini remembers his grandparents hiding behind trees to spy on competitors' kilns.

After the economic downturn when the tech bubble burst a decade ago, Mr. Morandini realized his 23-person firm wasn't big enough to survive. He approached his rivals about a merger. It took two years to conclude a deal—and the Morandinis had to give up their brand name to clinch it. But the company, which now employs 100 people, broke even last year despite the downturn.

"Today, I have a third of a viable company," says Mr. Morandini, who is chairman of the new Fornaci Giuliane and has served as head of Italy's small-business lobby. "Without the merger, I would have had 100% of nothing."

As the U.S.-generated credit crunch reverberated around the world in 2008, European governments aided sectors that rely heavily on consumer credit, notably the automobile business. Last February, the French government extended a €6 billion loan to the country's two main car firms, Renault SA and PSA Peugeot-Citroën. As a condition for the loan, the car makers agreed to provide business to hundreds of thousands of French carparts suppliers, rather than buying parts abroad.

Gérard Rameix, the government's recently appointed credit mediator, says the loan was indirectly aimed at propping up a chunk of France's small businesses. "Had big companies failed, smaller suppliers would have, too," he says.

Cap Environment, a small air- and-sound-quality consulting firm near Paris, had grown well until early 2008, buoyed by tighter environmental regulation in France. By early 2009, the financial crisis had cut demand for the company's services.

Owner Etienne de Vanssay says banks rejected requests for a loan for the company. He could only get a personal loan—backed by personal savings that he hopes to pour into Cap Environment. Revenue at the firm fell to around €300,000 in 2009, from €540,000 in 2008, says Mr. de Vanssay. Banks, he says, "don't want to lend to me because I don't have the money right now to pay it back."

Giuseppe Marzotto, a clothes manufacturer in Varese, continues to struggle. He has been making women's skirts, trousers and jackets for designer names such as Krizia and Fiorucci since the 1960s. Amid the global slump in demand for designer clothes last year, sales began to plunge, so Mr. Marzotto applied for a loan to pay the salaries of 21 seamstresses.

Unable to get credit, Mr. Marzotto in April suspended the workers for six months so they could get state-subsidized pay and benefits—a commonly used move for troubled companies in Italy. Still, last year, his company, Platinum SRL, saw sales drop 70% to €500,000. "We're on a precipice. We'll have to see what happens in the second half of this year," says Mr. Marzotto.

European governments began unveiling plans to help small firms in the second half of 2009. In August, the Italian government and Italy's banking association announced a one-year moratorium on mortgages and some debts for small and medium companies in Italy, which has the largest concentration of small firms in Europe.

Some 50,000 companies had availed themselves of the debt-relief nationwide as of the end of October, according to the banking association.

As business kept deteriorating late last year, the woes of small Italian business exploded into a rare grass-roots protest movement. It spanned the country's industrial belt, from the chair-making district of Manzano, near the border with Slovenia, to the textile-rich area of Biella in the west.

These "companies in the trenches," as they dubbed themselves, began gathering at evening rallies to tell their tales before politicians and bankers. Covered extensively by Italy's main daily, il Corriere della Sera, the gatherings helped jog further government action. Shortly after Italy's finance minister attended one meeting, the Italian cabinet approved a tax deferral measure aimed mainly at small firms.

Around the same time, French President Nicolas Sarkozy announced a €2 billion state fund to invest or lend to small businesses. Paris also announced a temporary reduction for small and medium companies in social security and other tax contributions companies are required to make.

Spain and Germany haven't specifically targeted small business in stimulus packages. Still, an €8 billion public-works program in Spain has given work to some 14,000 small and medium companies, according to the government.

To encourage lending, the European Central Bank has lowered its key interest-rate target to 0.25%. But all small firms aren't necessarily benefiting from the cheap money: Short-term loans to companies with annual revenue of up to €1 million carry an average rate of 3.34%. Before the crisis, the gap between the two rates was significantly lower.

Fabien Delpierre, owner of small French merchandising company Iconomedia, says businesses need even more help. Mr. Delpierre's company increased sales by an average of 20% a year from 1996 to reach €1.8 million in 2008, but faced a dearth of clients as companies cut budgets last year. After putting some of his savings into Iconomedia, Mr. Delpierre asked a bank this autumn for a €200,000 loan, his first ever.

"The banker told me..., 'Call Sarkozy if you want a loan,' " he says.

To help companies like Iconomedia, Gérard Rameix, the French government's credit mediator, has his team organize meetings between owners of small firms—employing between 50 and 500 people—and representatives of the country's largest banks.

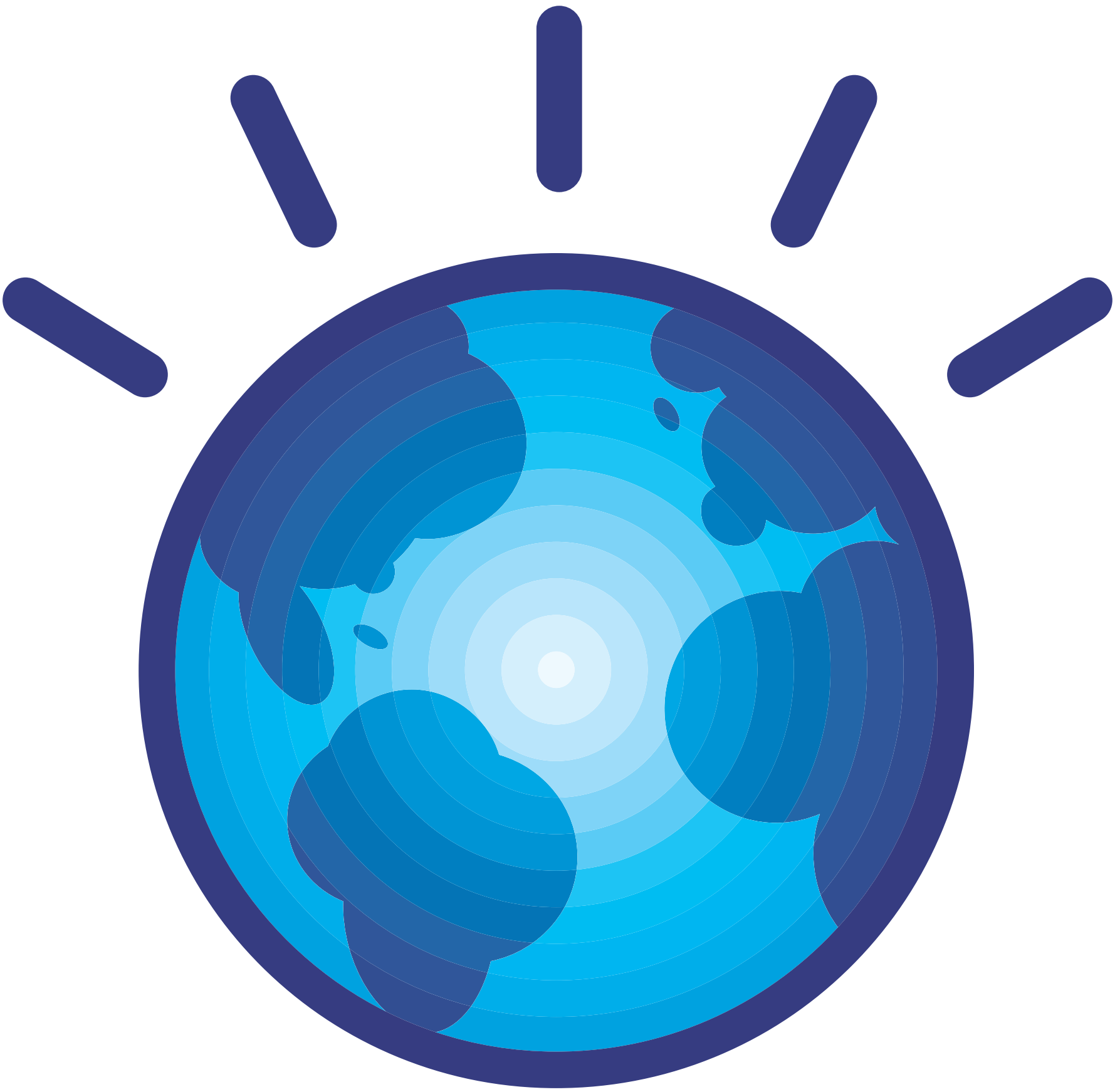
The euro zone officially emerged from recession in the third quarter of 2009, and consumption is expected to pick up this quarter. Still, another hurdle looms.

As governments work to prevent future financial crises, they are expected to back a tightening of the so-called Basel II international rules, governing how much capital banks are required to have on hand. Such a step could reduce loan availability. "The Basel agreement has to be changed, or the real effect of the crisis will last for a long time," says Gregorio De Felice, head of the research department at Intesa Sanpaolo.

Consolidation, some economists say, is the only road to long-term survival. Unlike Mr. Morandini, the brick maker, though, many small-business owners can't bring themselves to part with companies started by their parents and grandparents. There's also a structural issue: Across Europe, small firms are exempt from the strict labor requirements and social charges that affect bigger companies. If the small companies bulk up, they will be subject to tighter rules.

Still, the time could be ripe. Many companies created during Europe's post-war boom are now passing the baton. In France, some 700,000 family-owned firms are expected to change hands between now and 2020, according to French statistical agency Insee.

For Chantiers Gamelin, a boat-building company in western France, tragedy paved the way to consolidation. When company owner Joel Gamelin ran out of money to pay the firm's 120 employees in late 2008, he killed himself. Mr. Gamelin's daughter, Fanny, raised €200,000 in donations via Facebook. The funds allowed her to keep paying staff for a few months longer—until her father's firm was snapped up by two rival boat builders last year.



Building a Smarter Planet: 1 in a Series

Welcome to the decade of smart.

Just over a year ago, in the pages of this publication, we began a global conversation about how the planet is becoming smarter.

By *smarter*, we mean that intelligence is being infused into the systems and processes that make the world work—into things no one would recognize as computers: cars, appliances, roadways, power grids, clothes, even natural systems such as agriculture and waterways.

Trillions of digital devices, connected through the Internet, are producing a vast ocean of data. And all this information—from the flow of markets to the pulse of societies—can be turned into knowledge because we now have the computational power and advanced analytics to make sense of it. With this knowledge we can reduce costs, cut waste, and improve the efficiency, productivity and quality of everything from companies to cities.

A year into this new era, the signs of a smarter planet are all around us. Smarter systems are being implemented and are creating value in every major industry, across every region in both the developed and developing worlds. This idea isn't a metaphor, or a vision, or a proposal—it's a rapidly emerging reality.

In a study of 439 cities, for those that employ transportation congestion solutions—including ramp metering, signal coordination and incident management—travel delays were reduced on average by more than 700,000 hours annually and nearly $15 million was saved by each.

A yearlong study by the U.S. Department of Energy's Pacific Northwest National Laboratory found that consumers within smart meter systems saved 10% on their power bills and cut their power usage by 15% during peak hours.

Eight hospitals and 470 primary care clinics implementing smarter healthcare systems across their facilities—by making information available to practitioners at the point of care and applying insights into organizational performance—were able to improve clinical results and operational efficiency by up to 10%.

Leading retailers have cut supply chain costs by up to 30%, reducing inventory levels by up to 25% and increasing sales by up to 10%. They did so by analyzing customer buying behaviors, aligning merchandising assortments with demand, and building end-to-end visibility across their entire supply chains.

Banks and other financial services organizations around the world are achieving new levels of risk control, efficiency and customer service. Microfinancer Grameen Koota's optimized loan tracking and processing has helped increase its customer base from 70,000 to 325,000, while enabling it to predict cash requirements, better allocate resources and broaden access to capital.

These and other forward-thinking leaders are realizing near-term ROI. But they are also discovering something deeper. They are finding the hidden treasures buried in their *data*.

Data is being captured today as never before. It's revealing everything from large and systemic patterns—of global markets, workflows, national infrastructures and natural systems—to the location, temperature, security and condition of every item in a global supply chain. And then there's the growing torrent of information from billions of individuals using social media. They are customers, citizens, students and patients. They are telling us what they think, what they like and want, and what they're witnessing. As important, all this data is far more real-time than ever before.

And here's the key point: data by itself isn't useful. In fact, it can be overwhelming—unless you can extract value from it. And now we can. With the right tools, we're beginning to see patterns, correlations and outliers. With sophisticated mathematical models, we can take the measure of the world's information and actually begin to predict and react to changes in our systems. New York has smart crime fighting. Paris has smart healthcare. Smart traffic systems in Brisbane keep traffic moving. Galway has smart water. A smart grid in Copenhagen keeps energy flowing.

We've learned a lot over the past year about what it takes to build a smarter planet. Importantly, we've learned that our companies, our cities and our world are complex systems—indeed, systems of systems—that require new things of us as leaders, as workers and as citizens.

There are new responsibilities to protect personal information and privacy, and to secure critical infrastructures. Global standards, not just technological ones, across all dimensions and at all the interfaces of these complex systems. New skills and fields of expertise. New ways of working and thinking. A smarter planet will require a profound shift in management and governance toward far more collaborative approaches.

Forward-thinking business leaders, policy-makers and government officials around the world understand these challenges, and they are stepping up to them. Above all, they realize that we cannot wait, cannot let this moment pass. The time to act is now. The decade of smart is under way.

Let's build a smarter planet. Join us and see what others are currently doing at **ibm.com/smarterplanet**

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FROM PAGE ONE

Tokyo favors a Delta alliance for JAL

Continued from first page
people familiar with the matter, on the grounds that Delta has a more robust trans-Pacific flight network and a stronger Asian network than JAL's current alliance partner American Airlines. A decision isn't certain, however, and the airline isn't likely to make an official choice until next month.

"We continue to talk with JAL and government officials, and we are confident no government decision has been reached," a spokesman for American said. A Delta spokeswoman couldn't be reached. Officials at the state-backed turnaround body that is restructuring JAL couldn't be reached for comment.

American and its partners, which include buyout firm TPG, are offering a $1.4 billion investment package, an amount it confirmed Tuesday. Delta is offering a $1 billion package but says it offers a better operational match.

Government officials have said publicly the choice is JAL's. "That is something JAL should decide on as it pursues restructuring," Mr. Maehara said Thursday.

A switch to Delta and its SkyTeam airline alliance from American's Oneworld alliance would be unprecedented. Winning over JAL has become a priority for the two leading U.S. carriers, which have been sending their top executives to Tokyo weekly to sway company and government officials. American is offering other incentives to keep JAL as its partner, including guaranteeing JAL's revenue by $300 million over the next three years if it stays in the Oneworld alliance.

Mr. Maehara's agreement with the banks Tuesday gives the carrier some breathing room until a state-backed turnaround body, Enterprise Turnaround Initiative Corp., makes a decision on how to support JAL. The banks include arms of **Mizuho Financial Group** Inc., **Mitsubishi UFJ Financial Group** Inc. and **Sumitomo Mitsui Financial Group** Inc., which previously agreed to 300 billion yen, or $3.26 billion, in loan forgiveness and debt-for-equity swaps.

Reuters

JAL is expected to file for bankruptcy protection next week. Above, a man walks near an aircraft in Tokyo on Tuesday.

JAL's agreement with the retirees, reached Tuesday, calls for reducing pension benefits for retirees by 30% and for employees by 50%. "I voted in favor of it," said Yoshihisa Akai, 62 years old, a former JAL employee who had worked with the company for 36 years. "There was no other option."

Shares in JAL are likely to face a further pummeling Wednesday, and traders say that the shares may soon fall to as low as 10 yen. On Tuesday, shares closed at 37 yen; a year ago, shares traded at 215 yen.

"Some investors are scrambling to sell in order to cash in their holdings," said Katsuhiko Nakamura, manager at Mizuho Securities.

SMBC Friend Research Center analyst Mitsuru Miyazaki noted that individual investors still holding JAL shares now include not only short-term players, but also the carrier's most loyal customers who hold the stock to get shareholder discounts on flights. "If those loyal customers lose their shareholdings and special benefits due to delisting, it could have a lasting negative impact on the airline's future business even after its rehabilitation," he said.

Tuesday's developments are part of an endgame years in the making. JAL was once Japan's single major carrier and remains its main international airline, known for years for its red crane logo. But JAL was never able to fully integrate operations after several mergers and was burdened by a bureaucratic mindset inherited from its period of state control. As Japan's economy slid, the airline found itself grappling with new competitors such as ANA and an expensive route network it faced political pressure to serve.

Three bailouts over the past decade led to increasing public skepticism. Japanese Prime Minister Yukio Hatoyama appears to be using JAL's restructuring to send a message that the government will resist further corporate bailouts.

JAL has tried a number of restructurings and makeovers in recent years, including abandoning its crane logo for a curved red-and-silver streak. The new logo is "a swipe on a wall of no significance at all," said Geoffrey Tudor, a former JAL employee and now a principal analyst at Japan Aviation Management Research.

—Ayai Tomisawa contributed to this article.

China increases banks' required reserve ratio

Continued from first page
Composite Index. The market appeared not to expect the reserve-ratio increase, jumping 1.9% Tuesday.

A sharp spike in bank lending starting in late 2008 was the central element to Beijing's effort to escape the global financial crisis. The forceful policy allowed companies to gorge on easy credit and speculate on properties and stocks. It may have also encouraged wasteful spending: The government recently said that over 106,000 officials were punished last year for misconduct, including abuse of economic-stimulus money.

Economists estimate that the Chinese economy galloped ahead at close to 10% in the latter part of 2009 and will prove to have exceeded the 8% growth target for te year that appeared questionable early in the year. While China's early recovery underpinned the global economy, it is now facing the fallout from its success earlier than other major economies.

News in recent days that China overtook Germany as the world's largest exporter in 2009 has sharpened political calls for Beijing to lift the value of its currency, a move that would make its exports more expensive while making goods from other countries more competitive. China now faces mounting protectionist pressures.

By tapping on the monetary brakes, Beijing has underscored how its biggest challenge is to rein in its massive banks, which traditionally make most of their loans in the early part of the year.

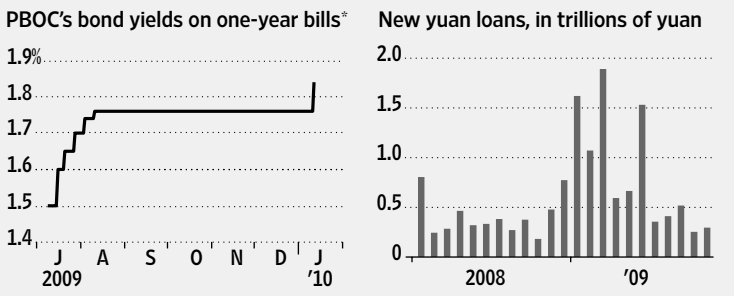
When the new reserve-requirement rate takes effect Monday, it will effectively lock up 300 billion yuan, or around $44 billion, that might otherwise have been lent, according to Stone & McCarthy Research Associates China analyst Tom Orlik.

In a note, Mr. Orlik said the move is a particularly "powerful signal" of the central government's determination to tighten monetary policy. He said Beijing may have acted earlier than expected due to signs that local banks were rushing out loans in the first days of January in anticipation that the government would tighten lending.

China last changed the reserve requirement and official lending rates in late December 2008. But those moves were to lower the rates as part of broad credit-easing program that included sharp drops in official interest rates. The last increase in reserve requirements took place in June 2008.

Credit report

China's central bank raised the yield on its one-year bills after raising three-month bill yields last week.



*PBOC didn't sell 1-year bills from Jan. 1 to July 8, 2009
Source: People's Bank of China

With an economy that is led largely by investment, China faces a balancing act in bringing down lending without choking off growth. Analysts predict official interest rate increases won't occur until much later in the year, although Tuesday's move led them to move up estimates of when the first increase will occur.

Bankers expect Chinese authorities to target roughly an 18% increase in bank loans this year, slowing from the 30%-plus surge in 2009, with total new lending of around 7.5 trillion yuan compared with more than nine trillion yuan last year.

The reserve requirement increase follows a number of less clear indications that the easy monetary policy was being reconsidered. In recent days and weeks, China began removing certain incentives for property buyers: in a rare press interview, Premier Wen Jiabao referred to "quickly" rising real-estate prices and fresh inflation expectations; and the central bank permitted yields on its debt instruments to notch higher.

None of the recent moves appears to erase Beijing's contention that the global economy remains too fragile for it to completely remove stimulus policies. Paul Cavey, a Macquarie analyst, said Tuesday's changes mark "stage one of China's exit from the emergency policies" of late 2008.

At this point, inflation is under control, although the consumer-price index turned positive for the first time in November and the December number is expected to show a jump—an expectation fed by the latest sign of official concern about inflation.

Economists say headline inflation rates in China are likely to rise rapidly in the next few months, even if only because current prices are being compared with the extremely depressed levels of early 2009.

—Andrew Batson and Victoria Ruan contributed to this article.

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Baidu says hackers hit Web site

Internet users in China report Iranian group disabled search engine; Farsi note warns against foreign meddling

By Aaron Back

BEIJING—**Baidu** Inc., China's top search engine, said hackers disabled its Web site early Tuesday, and some Internet users reported seeing signs that an Iranian group was behind the attack.

Users in China reported seeing a banner for the "Iranian Cyber Army," complete with an Iranian flag and a shattered Star of David, when they tried to access Baidu's home page Tuesday.

Marten Strassburg, a Swedish citizen living in Beijing, said he saw the site defaced with images of the Iranian group around 10:30 a.m. local time (9:30 p.m. Monday EST). Mr. Strassburg and dozens of others posted screen shots of Baidu's defaced site online.

For most of Tuesday morning, Baidu remained unavailable in China, with users seeing just an error message when they attempted to visit the site.

Last month, a group also calling itself the Iranian Cyber Army attacked Twitter, temporarily disrupting access to the U.S.-based social-networking site.

The Iranian Cyber Army also appeared to have attacked an Iranian reformist Web site.

It was unclear why the group, which appears to sympathize with the Iranian government rather than anti-Tehran protesters, would attack Baidu.

Farsi text that ran across the top of the page shed little light on the matter, saying, in translation, "The Cyber Army of Iran was created to oppose the meddling of foreign and Zionist Web sites in Iran's internal affairs and to prevent these Web sites from spreading false news and lies aimed at creating divisions."

Twitter has become a tool for Iranian dissidents to communicate and organize, and Chinese nationals began expressing sympathy with Iranian protesters last month through Twitter. Though Twitter is blocked in China, these Internet users have found ways around the limits through the use of proxy servers outside of China.

But the Internet free-speech advocates on Twitter aren't fans of Baidu, which is seen to be in good standing with Beijing.

Foreign Web sites such as **Google** Inc. have been periodically blocked by the Chinese government for linking to pornographic or politically sensitive material, but Baidu hasn't had similar problems with Chinese censors.

"Services on Baidu's main Web site www.baidu.com were interrupted today due to external manipulation of its DNS (Domain Name Server) in the U.S.," the company said in a prepared statement. "Baidu has been resolving this issue and the majority of services have been restored."

Baidu declined to comment on any possible Iranian involvement in the incident.

China's main state broadcaster, CCTV, reported the outage during its noon news broadcast, and suggested that users visit Baidu's Chinese domain name, www.baidu.com.cn, instead.

By the afternoon, both Baidu Web sites were accessible, with a few users reporting some periodic disruptions.

However, some Web sites with Iran's ".ir" domain names, including one linked to Iran's state-owned broadcasting network, appeared to have been hacked by Chinese programmers.

The home page of one such site, www.diabetes.ir, contained a warning in fragmented English against intrusion on Chinese Web sites. It was signed "We form China."

— Farnaz Fassihi contributed to this article.

ImagineChina

Internet users in China said an 'Iranian Cyber Army' banner ran on Baidu's main Web site Tuesday morning. Above, Baidu's headquarters in Beijing in November.

Shanda Games to buy online distributor Mochi

By Loretta Chao

BEIJING—China's Shanda Games Ltd. said it would spend $80 million in cash and stock to buy U.S. online game distributor **Mochi Media**, a deal that marks the biggest step so far in a burgeoning international push by China's fast-growing online game industry.

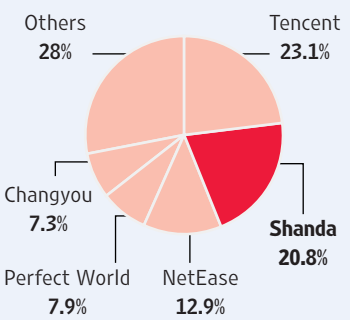
Under the deal, San Francisco-based Mochi, which is privately held, will receive $60 million in cash and $20 million in shares of Shanda Games, a Nasdaq-listed company known for creating some of China's most popular online games. The deal gives Shanghai-based Shanda Games an international platform to distribute games.

"Access to Mochi's platform will speed up and scale up our distribution of [content] world-wide," Diana Li, Shanda Games' chief executive, said in an interview. She said Shanda Games aims to release 10 new games for the U.S. market through Mochi's global distribution platform. She didn't specify a timetable.

Use of online games has been booming in China, which had 338 million Internet users as of June, more than any other country. Total revenue in China's online game industry grew an estimated 42% last year to about $3.8 billion, according to Beijing-based research firm Analysys International, which predicts the figure will jump to $10.7 billion by 2012.

Big players

China's online game-market share 3Q of 2009



Sources: Analysys International; Bloomberg News (photos)

Customers at an Internet cafe play online games in Beijing.

Unlike in the U.S., where console games like **Microsoft** Corp.'s Xbox or **Sony** Corp.'s PlayStation are popular, games played on personal computers like those Shanda markets are favored in China. Multiplayer role-playing games, like **Activision Blizzard** Inc.'s World of Warcraft or Shanda Games' World of Legend, can attract as many as hundreds of thousands of concurrent users in China, earning money for their producers through subscription fees, advertisements or sales of virtual items.

The Chinese game companies increasingly have ambitions abroad. Beijing-based **Perfect World** Co. licenses its games to operators throughout Asia, Europe and South America. Last month, it launched a version of its game called Chi Bi, a massive multiplayer game based on Chinese history, in Vietnam. **Changyou.com** Ltd., also in Beijing, licenses its martial-arts fighting game, based on a Chinese novel, to operators in Southeast Asia, and is testing an English-language version of the game, called "Dragon Oath," in the U.S.

Dan Brody, chief executive of **Koolanoo Group** Ltd., which operates several Chinese Web sites, said developed markets are particularly appealing to Chinese game companies because users there could spend more. He said Chinese companies can leverage their expertise in "free-to-play" business models that encourage users to play first, then spend money on virtual goods, rather than pay up-front for pricey consoles or subscriptions.

Shanda Games, a unit of **Shanda Interactive Entertainment** Ltd., raised more than $1 billion in September in one of last year's biggest U.S. initial public offerings.

Shanda Games had about a 21% share of China's online game market in the third quarter, according to Analysys.

Ms. Li said Shanda Games has been eyeing the international market for five years, but until now has exported its products game by game, through selected partners. Its games are currently played in Korea, Southeast Asia, Europe and Russia. Its acquisition of Mochi would provide a platform with an established user base overseas, Ms. Li said.

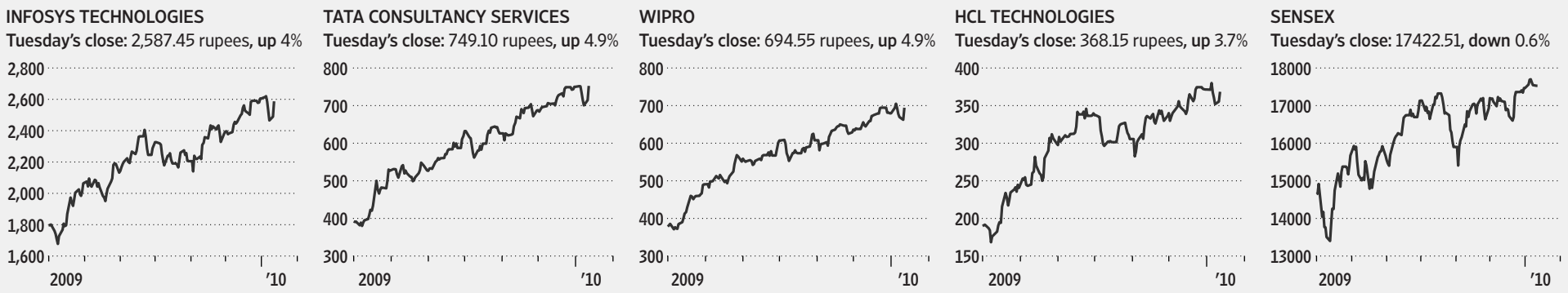
Mochi's network helps developers distribute their games on blogs or Web sites like Facebook, and it takes a cut of revenue earned from advertising and sales of virtual items. The company currently publishes 15,000 games on close to 40,000 Web sites.

Mochi Chief Executive Jameson Hsu, who co-founded the company in 2005, declined to disclose its revenue but said it became profitable "just recently" in 2009.

Of the 140 million users who play games on Mochi's network per month, 29 million are in China, he said.

Shanda Games will also use its $70 million investment fund, 18 Capital, which invests in game developers in exchange for intellectual property rights to their games, to create new content under Mochi's brand.

Indian technology stocks and the Sensex | Performance over six months



Source: Thomson Reuters Datastream

Infosys profit falls, outlook is raised

By Dhanya Ann Thoppil and Romit Guha

Infosys Technologies Ltd. on Tuesday reported a smaller-than-expected drop in its fiscal-third-quarter net profit and raised its full-year outlook, in a sign of improving times for Indian technology companies.

Infosys, India's second-largest software exporter by sales, said its October-December consolidated net profit fell 3.6% to 15.82 billion rupees ($350 million), or 27.75 rupees a share, from 16.41 billion rupees a year earlier. Consolidated revenue dropped 0.8% to 57.41 billion rupees from 57.86 billion rupees a year earlier.

A Dow Jones Newswires poll of 13 analysts had predicted a net profit of 14.83 billion rupees on revenue of 55.80 billion rupees.

The stock closed up 4% at 2,587.45 rupees on the Bombay Stock Exchange, outperforming the benchmark Sensitive Index's 0.6% fall.

Bangalore-based Infosys is the first major local technology company to report results every quarter. Its performance is considered to be an indication of how its competitors will do, and the results now raise expectations that **Tata Consultancy Services** Ltd., **Wipro** Ltd. and **HCL Technologies** Ltd. also will report numbers that reflect improving demand.

"The growth this quarter has been led by the top 10 clients," Infosys Chief Operating Officer S. Shibulal said. Revenue from its top 10 clients, which contribute 27.5% to revenue, grew 12.2% from the second quarter.

Indian technology companies are slowly recovering from the global economic slowdown, which had led their customers to scrap or delay projects and to seek lower rates for products and services.

"The global economic recovery seems to be led by the U.S. and the financial-services" sector, Chief Executive and Managing Director S. Gopalakrishnan said. "Even though IT budgets are expected to be flat in 2010, offshore outsourcing is expected to benefit from this recovery."

Brokerage firm CLSA said the results were strong. "With a lot of business billed hourly or daily, more holidays in the December quarter mean a weak seasonal pattern. Not so this time," it said in a note to clients.

CLSA said the results looked as if the outsourcing industry is returning to the momentum of a few years earlier.

"It feels like 2004 all over again as Infosys results point to a major up cycle in outsourcing, driving earnings up to levels not imagined till recently."

Mr. Shibulal said Infosys is currently chasing multiple deals in the range of $100 million to $300 million.

Infosys raised its earnings outlook to 106.85 rupees to 107.06 rupees a share for the current fiscal year through March from its previous view of 99.60 rupees to 100 rupees. The new estimate is 2.2% to 2.4% above the company's earnings last year.

Its new revenue forecast for the fiscal year is 224.73 billion rupees to 225.19 billion rupees, up from an estimate of 219.61 billion rupees-220.55 billion rupees in October.

For the current quarter, ending March 31, the company expects earnings of 25.62 rupees to 25.83 rupees a share on revenue of 56.75 billion rupees to 57.21 billion rupees.

"They have already done around 81 rupees per share in three quarters, and with the kind of pickup in volume growth they have shown now, the current [fiscal-year] outlook seems a little conservative," said Indrajeet Kelkar of Dolat Capital. Mr. Kelkar expects the firm's current fiscal-year earnings to be about 110 rupees a share.

The company's operating margin expanded to 35.1% from 34.6% in the quarter ended Sept. 30, helped by higher pricing—which rose 1.1% from the previous quarter—and more people working on active projects, despite a strong rupee, Chief Financial Officer V. Balakrishnan told reporters.

Mr. Balakrishnan said he expects margins to fall sequentially in the fourth quarter as the rupee "may gain in the short term" and due to staff costs. For the current fiscal year, operating margins are likely to be flat or expand moderately, while billing rates are likely to decline 3.7% from last year, he added.

Infosys had foreign-exchange hedges worth $669 million as of Dec. 31. The company added 32 clients in the just-ended quarter.

Infosys, which hired a net 4,429 workers during the October-December period, compared with 1,548 in the previous quarter, had 109,882 employees at the end of December.

The company expects to hire 6,000 employees in the January-March period, taking the total additions for the fiscal year to 24,000, Mr. Shibulal said.

Its target earlier was to add 20,000 people during the year.

—Deepali Gupta contributed to this article.

Cisco Systems plans to realign Asian operations

By Yun-Hee Kim

HONG KONG—**Cisco Systems** Inc. said it will restructure its Asia-Pacific and Japan operations and create a segment focused on Greater China, reflecting the growing importance of that market's potential for equipment vendors seeking growth in an increasingly competitive market.

As part of the move, Cisco said it will now have three "theaters," or segments, that will allow the networking-equipment company to have a more focused strategy. Greater China, Hong Kong and Taiwan previously operated under the Asia-Pacific region. The change is effective from February.

"Given the size and growth of the Chinese economy and our significant commitments to our China business, we believe designating Greater China as its own theater marks an important next step in our strategy," said Robert Lloyd, Cisco's executive vice president, world-wide operations, in a statement.

The company's Greater China region will be led by Owen Chan, who joined Cisco in 1999 and has been president of Cisco's Asia-Pacific division for the past five years. Edzard Overbeek will lead the Asia-Pacific and Japan regions, the company said in a statement.

Cisco, of San Jose, Calif., said Japan, Greater China and the Asia-Pacific region account for about 15% of the company's world-wide revenue. For the fiscal first quarter ended Oct. 24, Cisco reported sales of $9 billion.

The move comes after Cisco in November announced plans to buy the set-top box business of China's DVN for $17.5 million, in a move to extend the company's set-top-box business in China.

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Corrections & Amplifications

Nigerian police in 2007 arrested five militants alleged to have plotted attacks on government targets. A Dec. 28 article about concern over possible extremist activity in Nigeria and West Africa that was part of coverage of the attempted Christmas attack on a U.S. airliner incorrectly said the men were arrested in 2008.

Cadbury digs in heels against Kraft

U.K. candy maker reports growth, issues positive forecast in the latest rebuff to food company's takeover attempt

By Cecilie Rohwedder

LONDON—British candy maker **Cadbury** PLC reported steady growth in revenue and margins for 2009 and a promising outlook for 2010, news that it hopes will bolster its defense against unwanted suitor **Kraft Foods** Inc. as the companies enter the final stages of a five-month takeover battle.

In its last public rebuff to Kraft before the American food group must put its final offer on the table under U.K. takeover rules, Cadbury said revenue grew 5%, to £6 billion ($9.66 billion) and operating margins improved to 13.5% of sales last year from 11.9% in 2008, both figures stripping out exchange-rate movements. The company also promised shareholders a hefty dividend increase as it repeated pleas for them to reject Kraft's cash and stock offer. The latest results, Cadbury Chariman Roger Carr said, showed that Kraft was missing Cadbury's true value.

"This is a completely inappropriate offer; it is derisory," Mr. Carr said to reporters. "It is, in value terms, even less attractive than it was."

Along with growth figures and a positive forecast, Cadbury's second formal response to Kraft's hostile bid contained more of the belligerent language that has characterized the tussle since Kraft launched its early-September bid. In a document sent to shareholders, the U.K. company called Kraft an "unfocused conglomerate" that operates in "unappealing categories" with a stock that "underperforms."

The U.K. company, whose brands include Dentyne chewing gum and Dairy Milk chocolate, said revenue would grow 5% to 7% in 2010, while margins would improve to 16% to 18% by 2013. Cadbury didn't provide a forecast for margin growth in 2010—a point not lost on Kraft in its response to Cadbury on Tuesday.

"Cadbury's final defense document is underwhelming," said Kraft spokesman Michael Mitchell. "They have said very little that is new and have ducked the issue of their profitability in 2010. We continue to believe that the certainty and upside potential provided by our offer remains the best option for Cadbury's shareholders."

Kraft must make its final offer by Jan. 19. Shareholders have until Feb. 2 to decide to accept Kraft's bid. So far, Kraft's is the only bid on the table, although **Hershey** Co. and Italy's **Ferrero** SpA are both considering offers. Talks between Ferrero and Italian banks **UniCredit** SpA and **Mediobanca** SpA about financing for a bid continue, people familiar with the matter said Tuesday.

Cadbury executives have privately said they would prefer a deal with Hershey to one with Kraft.

—Carol Dean contributed to this article.

Getty Images

Cadbury Chairman Roger Carr at a London news conference in December

Hanwha sends initial bid to Prudential

By Kyong-Ae Choi

SEOUL—**Hanwha Securities** Co. said it has submitted a preliminary bid to acquire two South Korean units of U.S. life insurer and asset manager **Prudential Financial** Inc.

If successful, the deal would push Hanwha Securities up from its 12th place among South Korean brokerage firms by equity capital and provide the firm with global brokerage expertise.

Hanwha Securities is conducting due diligence on the two firms, Prudential Investment & Securities and its asset management affiliate, Prudential Asset Management Co., and plans to submit an official bid for both by the end of January, a spokesman said. Hanwha Securities is an affiliate of Hanwha Group, a conglomerate that has interests including manufacturing and trading.

An official at Prudential Investment said four to five companies—both domestic and foreign—have submitted bids and among them is **KB Financial Group** Inc. KB Financial declined to comment.

The Prudential official estimated the value of Prudential Investment and Prudential Asset Management at 500 billion won to one trillion won ($446.2 million to $892.5 million), including a premium for management control.

To help finance the acquisition, the Hanwha spokesman said it may consider a rights offering.

"We are also considering other ways, such as forming a private-equity fund, issuing corporate bonds or opening up our own coffers to acquire the two firms," the Hanwha spokesman said. "But no decision has been made yet."

Analysts said the acquisition would help Hanwha Securities boost its operations, in particular its retail-brokerage sales and asset-management business, as well as gain global brokerage know-how.

However, shares of Hanwha Securities fell 7.1% to 9,520 won on worries about its fund-raising for the acquisition.

Chandler Kang at Daishin Securities said Prudential may favor KB because its brokerage operations don't overlap too much with Prudential Investment's operations.

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• The heating up of the alternative trading/dark pool debate
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China's Bright Food seeks sugar unit

Food producer says it could bid as much as $1.4 billion in cash to acquire business of Australia's CSR

By Cynthia Koons

SYDNEY—Chinese state-owned food producer **Bright Food Group** Co. said Tuesday it has approached **CSR** Ltd. about acquiring its sugar and renewable energy business for as much as US$1.4 billion, a sign China is diversifying its investment interests in Australia beyond the energy and mining sectors.

The Australian company shrugged off the approach as "merely an expression of interest" and said it continues to progress with the demerger of its sugar unit announced in June.

CSR's shares ended the day up 4.3% to 2.05 Australian dollars, or about US$1.91, after rising as much as 8.4% earlier in the trading session before CSR played down the prospective offer.

Shanghai-based Bright Food said it sent a letter to CSR Tuesday proposing an all-cash bid that values Australia's biggest sugar refiner at no more than A$1.5 billion but said it didn't have all the information needed to make a final valuation of the division.

Bright Food Vice President Ge Junjie said the company is keen to invest in the Australian food industry, in particular in the sugar sector.

Australia isn't a major exporter of sugar to China, and Bright Food sees the potential for this acquisition to service its country's growing demand for the commodity.

Sugar is trading near highs due to floods in Brazil and a drought in India, both of which have hampered supply. Even with a 5.3% decline in global sugar consumption last year, sugar prices more than doubled to hit a 28-year high. Outside of Brazil and India, CSR is one of the largest global suppliers of sugar.

CSR said at this stage, Bright Food's offer isn't a proposal capable of being accepted by the company and added there are a number of conditions and approvals for such a deal to be executed.

Chinese corporations have long been interested in acquiring assets in Australia's commodities sector. But to date, most of the offers have centered on the country's mining sector and have faced political scrutiny. Chinese deal volume in Australia surged to US$10.7 billion last year, more than four times the level seen in 2008, according to Dealogic.

CSR said in June it planned to split its sugar and renewable energy business from the remainder of the company. The median value for the business, from a poll of five brokers in October after CSR announced details of the demerger as well as its first-half results, was A$1.15 billion

Bright Food said it is prepared to discuss a transaction with CSR's joint-venture partner **Mackay Sugar** Ltd. similar to CSR's proposal to acquire the remaining 25% of the sugar refining ventures in Australia and New Zealand from Mackay.

One analyst said Bright Food's offer for the sugar and renewable energy business fell short of his expectations. "My valuation of the sugar assets is currently A$1.6 billion or A$1.7 billion if Mackay Sugar's refining assets are taken into account," said Ben Kakoschke, analyst at Patersons Securities, adding his valuation doesn't take into account the high market price of sugar. "I think any cash bid in the current environment needs to factor in the current high sugar prices as well as a takeover premium."

The company received an expression of interest from Bright Food for its sugar business last year but no formal proposal. CSR drew interest from other parties since the demerger was announced, but the prices weren't attractive and no binding offers emerged, said people familiar with the situation.

—Bill Lindsay and Rebecca Thurlow contributed to this article.

Outback bound

China's 10 largest outbound M&A deals in Australia on record

Completed	Target	Target Industry	Acquirer	Deal value in millions of U.S. dollars
May 6, 2009	Allco Finance	Transportation	Hainan Airlines/Bravia Capital Partners	$2,986
Dec. 11, 2009	Felix Resources	Mining	Yanzhou Coal Mining	2,755
June 17, 2009	Mining Assets	Mining	China Minmetals	1,354
Sept. 16, 2008	Midwest	Mining	Sinosteel	1,032
April 29, 2009	Fortescue Metals	Mining	Hunan Valin Steel & Iron	765
June 18, 2008	Oil & Gas Assets	Oil & Gas	China Petrochemical	560
April 22, 2008	SOCO Yemen	Oil & Gas	Sinochem	465
Oct. 16, 2009	Goodman	Real Estate/Property	China Investment	421
July 28, 2008	Mining Assets	Mining	China Metallurgical	370
Dec. 20, 2004	Woodside Petroleum	Oil & Gas	China National Offshore Oil	348

Source: Dealogic

Airbus flags continued trouble

By David Pearson
And Daniel Michaels

SEVILLE, Spain—Airbus reported robust production and orders for last year but said it faces considerable risk over its contract to build a military transport for European governments.

The **European Aeronautic Defense & Space** Co. unit also continued to by nagged by problems with the A380 superjumbo jetliner and A400M military transport. Both are years behind schedule and billions of euros over budget. Airbus also said that keeping production in line with weakened demand will be a challenge this year.

EADS on Tuesday reported revenue of €41.7 billion ($60.55 billion) for last year, a drop of 3.8% from 2008, which the company blamed on the strengthening of the euro against the dollar, the currency in which most aerospace contracts are signed. EADS expects to report full financial results in March.

Airbus Chief Executive Tom Enders said the A400M contract with seven governments burdens EADS with "uncapped liabilities" because the cost of developing the plane is greater than expected.

Those liabilities "would eventually jeopardize the whole of Airbus," he said in an interview. He estimated there is a 50% chance the contract will get canceled.

The company wants the government customers to share some of the development costs, and EADS CEO Louis Gallois said the company must reach an agreement by the end of this month. He declined to say what would happen if the deadline isn't met.

EADS could be forced to repay more than €6 billion if it abandons the contract, which was signed in 2003 under terms that both sides now admit were unrealistic.

"It would be a disaster for Europe if we don't succeed in the negotiations," Mr. Gallois said in an interview. He said the program creates 40,000 jobs and that the only alternative planes are made by U.S. manufacturers.

For civil jetliners, Airbus bucked continuing problems in global financial markets and the aviation industry to deliver 498 planes last year, the company's highest output to date and a 3% increase from its previous record, which was set in 2008. Airbus landed 310 orders for planes to be delivered over coming years, exceeding its target of 300 orders, although net of cancellations, the figure was 271 orders.

Boeing Co. last week said it secured 142 orders net of cancellations and delivered 481 jetliners last year. The U.S. company last delivered more planes than Airbus in 2002.

"The financial condition of airlines is a concern for us, even if traffic is picking up," Mr. Gallois said at EADS's annual news conference, held this year where the A400M is built.

Mr. Enders said continuing delays building the two-deck A380 superjumbos were "the frustration of the year." Airbus had hoped to deliver 18 of the highly customized planes last year after producing 12 in 2008. It later cut its target to 14, but delivered only 10.

"The A380 will remain a financial liability for Airbus for some years to come," Mr. Enders said.

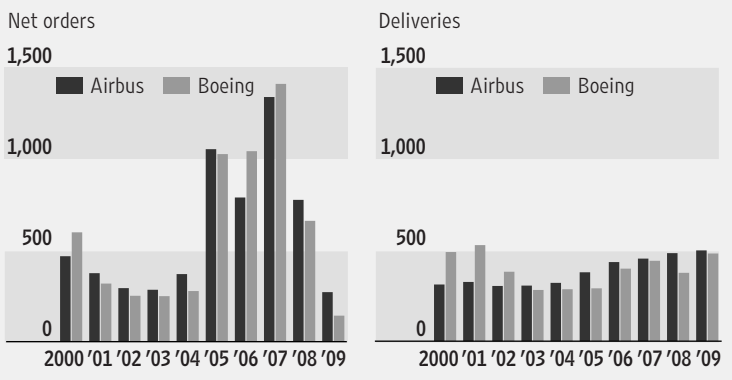
Turmoil in the airline industry has spurred aircraft customers to cancel or delay orders, forcing Airbus and Boeing to juggle their delivery schedules by finding new customers who can take delivery.

"I think we can keep deliveries flat this year," said Airbus Chief Operating Officer John Leahy. He said that despite a recent plunge in orders, airplane pricing is holding up better than Airbus had expected.

But many financiers who bankroll airlines are less optimistic that the world's two makers of big jetliners can hold output steady.

Climbing amid turbulence

Airbus and Boeing are boosting production even as new orders plunge.



Note: Net orders are applied to the year of the original order.
Source: the companies

Bharti Airtel to buy Bangladesh firm

By R. Jai Krishna
And Prasanta Sahu

NEW DELHI—**Bharti Airtel** Ltd. will buy a 70% stake in **Warid Telecom International** of Bangladesh for $300 million, as India's biggest mobile-phone operator by number of users seeks to offset slowing growth at home.

Bharti said in a statement Tuesday it will buy Warid Telecom's existing shares from the United Arab Emirates-based **Dhabi Group**, and will also subscribe to fresh equity shares in the Bangladesh company.

The acquisition comes just a few months after Bharti failed to clinch a deal with South Africa's **MTN Group** for a possible merger.

The Indian company has been looking to expand its overseas operations to boost revenue and margins, which have been hurt by intensified competition. Bharti launched services in Sri Lanka in early 2009.

Bangladesh is one of the largest untapped markets in South Asia, with only 32% of its 160 million people having access to telecom services. By comparison, about 46% of India's 1.1 billion people have telecom access.

"This landmark deal underlines our intent to further expand our operations to international markets where we can implant our unique business model and offer quality and affordable telecom services," said Bharti Chairman and Managing Director Sunil Bharti Mittal.

Bharti will take control of the management and the board of Warid Telecom, while the Dhabi Group—which has business interests in financial services, telecom and real estate in many countries—will retain 30%, and have its nominees on the board.

Manoj Kohli, chief executive and joint managing director at Bharti Airtel, said the company intends to launch its brand in Bangladesh in the next few months.

Warid Telecom offers mobile services in all 64 districts of Bangladesh and has more than 2.9 million users. **Grameen Phone** Ltd. is the market leader, with 22.75 million users, followed by **Orascom Telecom Bangladesh** Ltd., with 12.99 million, and **Axiata (Bangladesh)** Ltd., with 8.87 million subscribers.

At the end of November, Bharti Airtel had more than 116 million mobile subscribers in India.

Meanwhile, **Singapore Telecommunications** Ltd. Tuesday said it will continue working with its associate in Bangladesh, **Pacific Bangladesh Telecom** Ltd., and that it sees its Indian associate Bharti Airtel's decision to take control of Warid Telecom as complementary to its own investments in the country.

"Since our investment, PBTL has grown its network capacity to 3.5 million customers, and has been Ebitda positive during the second half of 2009," SingTel said in a statement, referring to PBTL's earnings before interest, taxes, depreciation and amortization.

Asked whether there have been talks with Bharti about a possible merger between PBTL and Bharti's new asset in Bangladesh, SingTel said it is open to working with other operators if it enhances shareholder value. SingTel has a 45% stake in PBTL.

—Deepali Gupta and Romit Guha in Mumbai and Se Young Lee in Singapore contributed to this article.

Alcoa reports quarterly loss despite cuts

By Robert Guy Matthews

Alcoa Inc. kicked off the fourth-quarter earnings season with a $277 million loss, reporting lower sales in the construction, aerospace, commercial-building and gas-turbine markets.

While the loss wasn't as steep as Alcoa's $1.2 billion year-earlier loss, the aluminum maker's results show that it hasn't roared back to profit yet, despite layoffs, plant closures and steep cuts in capital spending and dividends.

Its bigger peers, including **Rio Tinto** PLC, are expected to fare better when they begin to report their results in coming weeks because they are generally lower-cost producers than Alcoa.

Ever since the final months of 2008, when the world's economy took a sudden slide, putting downward pressure on the price of aluminum, Alcoa has been working to conserve cash and reduce costs. The weaker U.S. dollar, in which most commodities are priced, plus a rebound in global demand for autos and consumer goods, has helped push aluminum prices to about $1 a pound from 60 cents last February, though prices are still below the $1.50 seen in mid-2008.

The company said Monday that $266 million, or 27 cents a share, of its fourth-quarter loss was because of charges.

"This was a tough year for the aluminum industry: a price crash, demand destruction, and credit crunch. Yet, today Alcoa is stronger than when the year started," said Klaus Kleinfeld, Alcoa's president and chief executive.

Since the beginning of 2009, when Alcoa was getting hammered by low aluminum demand and prices, the company said it would focus on saving cash.

It said that because of cost cuts and restructuring, the company has reduced its debt by $759 million from a year ago and had $1.5 billion in cash liquidity.

Alcoa is being helped by steadily rising aluminum prices and a drop in inventories for both aluminum and alumina, the primary ingredient in the production of the metal.

Nonetheless, another quarterly loss is testing the patience of some investors.

"The quarterly results, combined with our expectations for 2010, don't add up to an investment-grade-worthy credit rating," said Joel Levington, director of corporate credit research for Brookfield Investment Management Inc.

Alcoa shares were down 9.5% midday Tuesday.

Alcoa financial results were not much better for the year. It reported a loss of $1.15 billion, or $1.23 a share, compared with a loss of $74 million, or 10 cents a share, a year earlier.

Alcoa reported an increase in energy and currency-exchange costs. Aluminum production requires huge amount of electricity, and the company's plants operate in several countries. Those expenses totaled about $65 million.

Despite headwinds, Alcoa said cost cutting will reap benefits in coming years. Mr. Kleinfeld estimated that consumption of aluminum will continue to grow worldwide as China, India and other industrializing nations build with more aluminum.

Cowell will bow out of 'Idol'

Blunt, popular judge on hit show plans to jump to rival 'X Factor' program next season

By Ethan Smith And Shira Ovide

Simon Cowell, the brusque personality who has been behind TV blockbusters on several continents, plans to leave the Fox network's singing competition "American Idol" after the current season, leaving a question mark over the biggest hit on American airwaves.

The 50-year-old Mr. Cowell said he was "offered a lot of money" to remain a judge on "American Idol," which has been a mega-hit for the Fox network. But Mr. Cowell, who parlayed music-producing acumen into television celebrity, said he had decided to leave because "The X Factor," another singing competition that has taken off in Britain, is set to debut—also on Fox—in 2011.

Mr. Cowell will serve as executive producer and judge on the U.S. version of "The X Factor," the network said. Mr. Cowell hasn't been an executive producer for "Idol" and the additional title suggested he may reap bigger financial gains with "The X Factor" if the show is a hit in the U.S., as it has been in other parts of the world.

Based on the British series "Pop Idol," "American Idol" launched on Fox in 2002 and has become the most popular series on television.

"Idol" made Mr. Cowell a household name on both sides of the Atlantic and became a linchpin of Fox's television lineup. But after eight seasons on air, ratings were down 7.8% for the last season, compared with the previous year.

Getty Images

Simon Cowell, right, with Fox executive Peter Rice, at a media event Monday.

Fox didn't name a replacement for Mr. Cowell. Although his planned departure is months away, it is sure to cast a shadow over the show. While people tune in to watch its amateur singers, Mr. Cowell's verbal dressing-downs of contestants have been an important element.

Speaking to reporters during a Fox media event in Pasadena, Calif., network executives said they expect "American Idol" to continue for many years.

"American Idol" commands some of the highest ad rates in U.S. broadcast TV, with the price of 30 seconds of ad time on the program reaching $707,000 in 2009, according to TNS Media Intelligence, an ad-tracking unit of WPP PLC.

"American Idol" generated about $843.3 million in advertising in 2009, according to TNS, down from $883.7 million in 2008 when ad prices reached $737,000 for a 30-second slot. The Fox network generated $2.8 billion in gross advertising revenue last year, according to SNL Kagan.

Fox and The Wall Street Journal's publisher, Dow Jones & Co., are owned by **News Corp.**

Mr. Cowell's exit comes as speculation also swirls about Fox's late-night plans. Conan O'Brien, the host of NBC's "Tonight Show," has considered leaving the **General Electric** Co. network over plans to move his show a half hour later to make room for "The Jay Leno Show" at 11:35 p.m. weeknights. While Fox executives played down the likelihood of Mr. O'Brien landing at the network, Fox has had informal talks with Mr. O'Brien's circle about hosting a late-night show, Kevin Reilly, president of entertainment for Fox, confirmed Monday.

—Amy Chozick, Suzanne Vranica and Sam Schechner contributed to this article.

Callaway Golf tees up in India, signs top golfer

By Paul Beckett

NEW DELHI—**Callaway Golf** Co., the U.S. golf equipment manufacturer, is opening an Indian unit and has signed India's most famous golfer as a brand ambassador in an effort to tap the growing popularity of the sport in the country.

George Fellows, chief executive, said in an interview that the company viewed India as a nation on the cusp of a shift in terms of the size of its market for the sport, with an increase in golf-course construction, interest in the sport among younger Indians and rising wealth among India's middle class.

The number of golf courses in the nation has risen to about 250, up from 80 courses five years ago.

Jeev Milkha Singh, India's No. 1 ranked professional golfer, will work with the company globally but with a focus on the Indian market.

India has a long tradition of golf. The Royal Calcutta Golf Club, which dates from 1829, purports to be the first golf club opened outside of the U.K.. But golf remains largely an elite sport, dominated by retired military officers, government officials and senior business executives. In the past several years, that has begun to change as the number of golf courses in the nation has risen to about 250, up from 80 courses five years ago, and another big increase is expected in the next few years, according to Vivek Mehta, Callaway's India country head.

Mr. Fellows estimated that there are some 500,000 golfers in India, some 150,000 of whom are termed "avid," meaning they play more than a round a month. The number of golfers overall is growing by up to 30% a year, which before long could translate into "a marketplace in India of several hundred million dollars of equipment sales," he said.

Callaway's India team will be modest to start with: up to 15 people based in Gurgaon, a suburb of New Delhi, responsible for building the brand, cultivating newcomers to the sport, and selling Callaway equipment through all 200 golf and sporting goods outlets in the country, including pro shops.

Mr. Fellows said India is a key market for the company as the U.S. market is projected to grow by 2% to 3% annually long term. Already over 50% of the Carlsbad, Calif.-based company's revenue comes from outside the U.S. The golf equipment industry also is coming off a rough couple of years because of the recession in the U.S. and Western Europe.

Mr. Fellows said he was cautiously optimistic about prospects for 2010 and is hoping 2011 will see the industry return to traditional rates of growth. The international popularity of golf may get a boost from the 2016 summer Olympics in Rio de Janeiro, he added, because golf will be included as an Olympic sport for the first time since 1904.

A shift toward hybrids

Associated Press

Fuji Heavy Industries Executive Vice President Mat Nagato speaks at the Detroit auto show Tuesday as Subaru introduces its Tourer concept car.

Soccer deal gives KKR a kick

Buyout shop lands breakout underwriting gig from U.K.'s Manchester United

By Peter Lattman

Scott Pollack

Kohlberg Kravis Roberts & Co. showed Monday just how ambitious it is about breaking into the underwriting business.

On Monday, English soccer club Manchester United launched a roughly $800 million high-yield bond offering. KKR—known best for its private-equity investments—will serve as co-manager on the deal, helping sell the bonds to institutional investors.

The deal marks a significant step for the New York firm's underwriting effort, the two-year-old KKR Capital Markets.

To date, KKR has only helped sell the debt and equity of companies in its private-equity portfolio. In the case of Manchester United, it has no ownership stake.

Wall Street has watched KKR's capital-markets expansion with great interest. The firm wants to capture some of the lucrative underwriting fees paid annually to investment banks. It also wants to show it is maturing into a full-service Wall Street firm as it readies a move to the New York Stock Exchange.

So far, KKR has notched a few assignments—from itself. It served as co-manager on the $765 million initial public offering of Avago Technologies and an underwriter on a $350 million bond financing of mattress-maker Sealy Corp. For its role underwriting the IPO of discount retailer Dollar General, one of 2009's largest, KKR received about $8.5 million.

The high-profile Manchester United assignment underscores KKR's ambitions to broaden its client base. KKR won the assignment largely through John Empson, who heads up the firm's capital-markets effort in London. The firm hired Mr. Empson in 2008 from J.P. Morgan, where he spent more than two decades and worked closely with Manchester United.

As an underwriter, KKR can look to place securities with large money managers such as Fidelity Investments. But the firm also can capitalize on its relationships with its own investors, such as large sovereign-wealth funds and public pension plans, to distribute deals.

The initiative isn't without risks. Wall Street deal makers say the strategy could alienate the investment banks upon whom KKR depends upon for serving up acquisition targets in its core private-equity business. KKR is the only large buyout firm to start a capital-markets business, though its rival **Blackstone Group** has a large corporate-advisory business that competes with the investment banks.

Manchester United—known as the Red Devils—is laboring under roughly $1.1 billion of debt that was used by U.S. businessman Malcolm Glazer to acquire the team in 2005. The bond issue will be used to refinance existing debt, repaying senior loans.

Reigning champions of the U.K.'s Premier League, Manchester United is among the most profitable soccer clubs in the world, generating revenue from merchandising and television rights. It booked a $131 million so-called transfer fee last year for the sale of its star Cristiano Ronaldo to Real Madrid, the Spanish soccer club.

J.P. Morgan Chase & Co., **Bank of America** Merrill Lynch, **Deutsche Bank** AG, **Goldman Sachs Group** Inc. and **Royal Bank of Scotland Group** PLC are serving as co-underwriters on the deal.

Greek stocks slide; 'crisis of credibility'

By Alkman Granitsas

ATHENS—Greek financial markets tumbled Tuesday, as renewed worries over Greece's economic and fiscal prospects pushed yields sharply higher on the government's first auction of short-term bills this year.

"The crisis of credibility continues," said Stratis Polychroneas, head of fixed-income research at Solidus Securities. "We are starting to see a new round of investors liquidating positions."

The Athens Stock Exchange's general index fell 5% to 2199.53, led by a 7% decline in bank shares. Among leading financials, market heavyweight **National Bank of Greece** declined 6.3%, while **EFG Eurobank Ergasias** skidded 8.4% and **Alpha Bank** plummeted 8%.

"So far, trading volume on the stock exchange is not very high so we can't talk about a rout. But what is happening is certainly not good," said a research director at a local bank.

In the bond market, investors demanded higher yields to compensate for the perception of increased risk for holding Greek bonds. The gap over 10-year German government bonds, the European risk-free benchmark, widened to 2.36 percentage points in late trade from 2.17 percentage points Monday.

The yield at Tuesday's sale of one-year bills jumped to 2.20%, from 0.91% at the last auction, held in October.

Investors took fright after Eurostat, the European Union's statistics agency, refused to confirm Greece's budget deficit estimates late Monday. That prompted speculation that the 2009 deficit may be even higher than the 12.7% of gross domestic product now estimated by the government.

Greece is under intense scrutiny by the EU, the markets and credit-ratings agencies to rein in its ballooning budget deficit. The socialist government, voted into office Oct. 4, has pledged to bring the deficit in line with an EU-mandated ceiling of 3% of GDP by the end of 2012.

But doubts about its ability to do so linger after a joint delegation of EU and European Central Bank officials visited Greece last week to discuss its budget plans.

RBS, Lloyds defend pay practices to Parliament

By Margot Patrick

LONDON—The chief executives of **Royal Bank of Scotland Group** PLC and **Lloyds Banking Group** PLC shrugged off attacks Tuesday from a U.K. parliamentary committee on their compensation and their plans to pay employee bonuses, saying the matters are decided by market forces and independent committees.

RBS CEO Stephen Hester, who could make as much as £9.7 million ($15.6 million) if he doubles the bank's share price by 2012, admitted that even his parents think he is overpaid. However, he said he had only asked to be paid the going rate when he agreed to become CEO in November 2008 and his package is worth "close to nothing" because of the bank's depressed share price.

Mr. Hester defended RBS's plans to pay bonuses to employees despite expectations it will post a net loss for 2009, saying each person was evaluated first on performance and then on how much the market rate is for that person's skills.

"I 100% believe in the alignment of people with the results they are charged to make," he said.

Lloyds CEO Eric Daniels, asked why the bank's board requires bonuses for doing what many people might consider simply their job, said the matter was up to its remuneration committee. "They believe that if you add goals and you achieve them well, that is worthy of recognition," he said. Messrs. Hester and Daniels were giving testimony to the Treasury committee as it assesses the handling of the banking crisis.

BofA executive likely to leave; job curtailed

By Kara Scannell And Dan Fitzpatrick

Gregory Curl, the **Bank of America** Corp. executive who was passed over in the competition for the top job at the largest U.S. bank in assets, is expected to see his responsibilities diminished as part of a forthcoming management shuffle, people close to him said Monday.

The 61-year-old Mr. Curl, a confidant of former chief executives Kenneth D. Lewis and Hugh L. McColl Jr., is expected to lose the chief-risk-officer post he has held since mid-2009 as new CEO Brian Moynihan installs his own circle of close lieutenants, these people said.

Mr. Curl's new duties likely would include managing certain relationships, but people close to him said he probably would leave Bank of America after an unspecified period of time.

He couldn't be reached for comment Monday. If Mr. Curl leaves, he would become the first high-ranking executive to depart since Mr. Moynihan became CEO on Jan. 1, succeeding Mr. Lewis. Mr. Moynihan, 50, is expected to reorganize the company's top ranks soon. The announcement is likely to include naming someone to take over from Mr. Moynihan as head of Bank of America's sprawling consumer-banking operations.

The shuffle will show how the power structure at Bank of America is quickly shifting under Mr. Moynihan, who lives near Boston and came to the company through its 2004 purchase of FleetBoston Financial Corp.

Mr. Curl, who has a cattle ranch in the same corner of Missouri where he grew up, is a link to Bank of America's past, serving as a trusted adviser to Messrs. Lewis and McColl as they turned a small, upstart bank into a coast-to-coast powerhouse. Mr. Curl recently led negotiations with the U.S. government to return $45 billion in bailout funds.

After Mr. Lewis surprised directors with his retirement announcement in September, Mr. Curl emerged as a strong candidate for the CEO job, with Mr. Lewis telling directors that he would be the least disruptive choice. But Mr. Moynihan came out on top after talks with Bank of New York Mellon Corp. CEO Robert Kelly ended.

Separately, the U.S. Securities and Exchange Commission said it planned to file new charges against the bank for failing to disclose Merrill Lynch & Co.'s steep losses prior to a takeover of the securities firm. The SEC said it wouldn't file charges against bank executives or directors, saying it hasn't found any evidence that executives deliberately concealed information from lawyers or that internal or outside lawyers intentionally sought to mislead shareholders. To charge individuals with wrongdoing, the agency would have to prove they intentionally sought to mislead investors.

A federal judge on Monday said the SEC couldn't file it as part of its ongoing litigation against the bank but could file a new lawsuit.

The SEC has sued Bank of America over its disclosures regarding billions of dollars in bonuses paid to Merrill employees shortly before the $50 billion merger closed in January 2009. The case has been set for trial in March.

MARKETS

Cold awakens orange-juice market

Past few days bring frenzied activity; 'It's like the Wild West,' a veteran trader says

By Carolyn Cui And Tom Sellen

Orange-juice-futures trader Dominick Minervini spent years fending off comparisons to Dan Aykroyd in "Trading Places," the 1983 movie that thrust the tiny market into the public consciousness.

"If I said I trade orange juice, everybody would say, 'Oh, it's just like the movie,' " said Mr. Minervini, who has been trading for more than two decades.

But while most days in orange-juice trading are a far cry from the movie's iconic scenes of double dealing and frenzied trading—for one thing, all futures trading is now electronic—the past few days have seemed eerily similar.

As an arctic chill spread across the main growing regions of Florida, orange-juice prices began a wild ride. After soaring 7% Friday, they plunged Monday to finish down 13%, causing big profits for some and losses for others. In Tuesday midday trade, the March futures contract was up 3.65 cents, or 2.8%, at $1.3550 a pound on the ICE Futures U.S. exchange as another round of icy temperatures on Monday night forced growers to face the prospect of new crop damage, in addition to that incurred Sunday night.

"There's no doubt that when you have back-to-back nights like that, we saw some additional fruit damage ," said Fran Becker, president of Florida Citrus Mutual and vice president of Fruit Procurement for Peace River Citrus Products in Arcadia, Fla.

On Monday morning, when crop damage appeared to be less than feared, prices dropped as much as 20 cents, their exchange-imposed daily limit. Prices quickly moved back up to trade down less than five cents, before again heading lower.

Everett Collection

Traders say they can't shake their association with the juice-trading characters played by Dan Aykroyd, left, and Eddie Murphy in the movie "Trading Places."

"It's scarier than anything. It's like the Wild West," said Mr. Minervini, who once was a trader on the floor of the commodities exchange but now trades from his New Jersey home. On Monday, Mr. Minervini traded 70 contracts of orange juice, a big day for him, and made about $8,000. "It's not a bad day," he said.

Monday's trading volume was estimated at 12,836 contracts, about five times 2009's average daily volume of 2,607, according to the exchange.

In "Trading Places," Mr. Aykroyd's Louis Winthorpe III and Eddie Murphy's Billy Ray Valentine join forces to get even with Mortimer and Randolph Duke, thwarting their attempt to corner the orange-juice market and leaving them bankrupt. The climactic final scenes show frantic traders screaming out orders on the floor of the exchange, seeking to halt their losses.

But since 2008, frozen-orange-juice futures contracts have been traded electronically. Each futures contract represents 15,000 pounds of frozen concentrated juice, or about $20,000 in value based on Monday's closing prices. Traders like Mr. Minervini, who once jostled in the New York Board of Trade trading pit, now sit behind a screen, placing orders with the click of a mouse, from anywhere in the world.

The number of contracts outstanding on the ICE Futures U.S. exchange amount to about $800 million. That makes the market a pipsqueak compared to most other commodity markets. There are, by comparison, more than $220 billion in futures contracts open for crude oil, the most active commodity.

Orange-juice futures

Daily settlement price on the continuous front-month contract

Tuesday noon: $1.3550 a pound, up 3.65 cents

Source: Thomson Reuters via WSJ Market Data Group

For market veterans, the past few days left plenty of room to make money. Boyd Cruel, a senior market analyst at Vision Financial Markets in Chicago, saw prices soaring on Friday and believed they were headed for a collapse, even amid forecasts for arctic weather.

Going into the weekend, he placed bets that prices would fall.

"Usually when something makes all the headlines and is on the television news, that's often a sign of a top in a market," said Mr. Cruel, who has been trading orange juice and other commodities since 1996. "These aren't things they teach you in a textbook but are things you observe from experience. I'm one happy camper right now."

Over the past few years, the orange-juice market has dwindled along with coffee and cocoa, as electronic trading has scattered most of the floor traders who used to provide a large chunk of liquidity to the markets.

In 2009, total trading volume of orange juice shrank to 656,995 contracts, down 8% from 2008 and down 29% from 2006. The shrinking volume makes it easier for traders to push prices up and down, increasing volatility.

Processing company **Louis Dreyfus Commodities**, one of the world's largest, is among the top orange-juice traders. **Prudential Bache**, **UBS Securities**, **J.P. Morgan Chase** & Co. and **Term Commodities** also are active.

But juice brokers and growers often just use the market as a gauge of price direction, rather than trading directly on the exchange. Webb Tanner, president of Food Partners Inc., a juice broker in Florida, said he monitors futures prices every day and uses it as a pricing mechanism. But he doesn't trade the futures markets. Instead, the company sets prices as juice is delivered.

Mr. Cruel said he is a "fairly active" trader who always has a position in orange juice but doesn't necessarily trade every day. Unlike the past few days, when the market's trading volume jumped 35%, orange juice typically is a sleepy market.

"I'm involved, but sometimes that market just does not move," he said.

AIG woos ex-Lehman counsel

By Serena Ng And Joann S. Lublin

American International Group Inc. has asked Thomas Russo, the former top in-house lawyer at Lehman Brothers Holdings Inc., to be its next general counsel, according to people familiar with the matter.

Mr. Russo was the chief legal officer at the Wall Street investment-banking firm for more than 15 years through its 2008 bankruptcy, the biggest in U.S. history. He was a close aide of former Lehman Chief Executive Richard Fuld Jr. and left the firm at the end of 2008.

Mr. Russo, 66 years old, wasn't available for comment. The former regulator has been senior counsel at the New York office of law firm **Patton Boggs** LLP since April 2009.

AIG has given Mr. Russo a written offer and is discussing his proposed pay package with the office of U.S. pay czar Kenneth Feinberg, a person familiar with the matter said. Mr. Feinberg has authority to set compensation limits for top employees at companies that have received significant amounts of federal money.

It isn't known if Mr. Russo has accepted the offer, though AIG officials expect him to, this person added.

Mr. Russo is a longtime friend of AIG Chief Executive Robert Benmosche, a person familiar with the matter said. Mr. Russo is on the board of the Institute of International Education, a nonprofit group that administers the Fulbright Scholarship Program. Mr. Benmosche's wife, Denise Benmosche, has been involved with that organization for a number of years.

Mr. Russo is one of the few Lehman executives to have spoken publicly about the firm's collapse. In a 2009 interview with a Legal Times blog, he faulted the government for failing to save Lehman from bankruptcy.

Thomas Russo, once Lehman's top in-house lawer, is a longtime friend of AIG's chief executive.

"It's almost common knowledge that that was a terrible failure on the government's part. But in saying that, one must move on, and there isn't much one can do about it now" Mr. Russo is quoted as saying. "There were lots of other firms that were similarly situated and did not have that happen to them, and I am happy for them."

Days after the government let Lehman fail in mid-September 2008, the Federal Reserve Bank of New York rescued AIG from the brink of failure with a big loan. The U.S. later increased its aid to the troubled insurer to as much as $182.3 billion in taxpayer assistance.

AIG's previous general counsel, Anastasia Kelly, resigned on Dec. 30 after her base salary was reduced as a result of U.S. pay curbs, the company said last month. She was given an exit package totaling about $3.9 million, including 24 months of severance and a retention payment she was to receive on the last day of 2009, people familiar with the matter said.

Ms. Kelly resigned under the terms of AIG's executive-severance plan, which provides for a small number senior executives to receive severance benefits if their pay is cut. On Dec. 11, Mr. Feinberg determined that annual cash salaries for top executives at AIG and other companies under his purview shouldn't exceed $500,000, with few exceptions.

Another former AIG executive, chief compliance and regulatory officer Suzanne Folsom, left at the end of 2009 "to pursue other opportunities," the company said last month. Ms. Folsom and AIG reached a "mutual agreement" that she should depart, say people familiar with the matter. They add that she will receive severance payments—including bonuses—in excess of $1 million in the coming months.

The 48-year-old Ms. Folsom had joined AIG in April 2008. Unlike Ms. Kelly, Ms. Folsom wasn't a participant in the firm's executive-severance plan, people familiar with the matter said.

Hynix creditors hope to spark interest in sale

By Jung-Ah Lee

SEOUL—Creditors of **Hynix Semiconductor** Inc. will hold a briefing Wednesday to try to drum up more buying interest for their 28% holding in the South Korean chip maker, amid lukewarm reception for the four trillion won (US$3.6 billion) stake.

Korea Exchange Bank, representing the chip maker's creditors, said creditors will invite around 50 to 60 people, including financial investors, investment banks and analysts, to explain Hynix's stake sale, as well as its business conditions and outlook. A question-and-answer session will follow.

The move suggests that creditors are still grappling with finding a potential buyer for the stake in Hynix, the world's second-largest computer memory-chip maker by revenue. South Korean conglomerate **Hyosung** Corp. withdrew a bid in November.

In late December, creditors sent out invitations to some Korean companies for bids. The creditors said they will receive preliminary bids for all or part of their 28% stake, or 165.48 million shares, until Jan. 29.

However, analysts aren't optimistic about a sale, saying that domestic investors aren't showing interest in the chip maker.

"No particular buyer at home is expected...but any possible stake sale to overseas investors seems even more unlikely," because of government fears of possible technology leakage in the country's core industry, said Lee Seung-woo, an analyst at Shinyoung Securities.

James Song, an analyst at Daewoo Securities, said, "It seems unlikely [that creditors] will hand over the chunk of the stake with management control to overseas investors, but they could possibly sell a part of it since the situation seems quite desperate now."

Hynix nearly collapsed under its heavy debt after chip prices plunged in 2001. Creditor banks bailed out the company and became its shareholders via several debt-for-equity swaps.

Hynix has received additional financial support, including loans, from its creditor-shareholders to ease market concerns about its financial stability.

However, Hynix Chief Executive Kim Jong-kap said in late December that the company is expected to be profitable in 2010, after posting big losses in the early part of 2009, as chip prices continue to recover and corporate demand for personal computers rebounds.

After being in the red for seven consecutive quarters, Hynix posted a third-quarter net profit of 246.3 billion won, reversing a net loss of 1.67 trillion won in the year-earlier quarter.

Treasurys rise in broad rally on China move

By Min Zeng

NEW YORK --Treasurys rallied Tuesday as investors sought comfort in low-risk government debt and sold riskier assets from stocks to commodities.

Risk appetite has been reduced following news overnight that China's central bank raised bank reserve requirements for the first time since 2008, raising fears that higher Chinese interest rates could be imminent and one of the key engines for the global economic recovery would be slowed.

U.S. CREDIT MARKETS

Treasurys also benefited from weak results from aluminum company Alcoa and continued concern over Greece's fiscal problems and sovereign credit ratings.

Long-dated Treasurys, which have underperformed recently, led the day's gains. In 11 a.m. trading, the two-year note was 2/32 higher at 100 6/32 to yield 0.9034%, the 10-year note was up 21/32 at 97 2/32 to yield 3.7341%, and the 30-year bond was 1 11/32 higher at 95 21/32 to yield 4.6452%. Bond prices move inversely to their yields.

The market is still bracing for additional supply of government debt. The Treasury Department was to sell a record-tying $40 billion in three-year notes later Tuesday, followed by $21 billion in 10-year notes Wednesday and $13 billion in a 30-year bond auction Thursday.

Indonesia cuts size of debt sale by half

By Ditas Lopez

Indonesia's government slashed the expected size of a bond offering that had been flagged to investors as it returned to the global bond market with a $2 billion 10-year deal.

The offering, which was set to price during New York trading hours, is smaller than the sale of up to $4 billion of debt that had been expected. Jakarta also appears to have dropped a 30-year tranche, a sign it had to compromise in order to get the deal done in a market facing a surge in supply from the region and soft prices in secondary trading.

BOND MARKETS

Indonesia set yield guidance of around 6% for the 10-year sub-investment-grade bond, said a person familiar with the deal. That is at the low end of a range of 6% to 6.25% that investors were seeking Monday.

Investors had been expecting Jakarta to try to raise $4 billion through the sale of 10-year and 30-year bonds. But increased volatility in long-term U.S. Treasury debt made many investors reluctant to lock in funds on 30-year paper, prompting the issuer to forgo that part of the offering, fund managers said.

A lackluster trading performance of new issues from the Philippines and other borrowers from emerging markets also made the maturity unfeasible for now, they said. The Philippines raised $1.5 billion through a two-part global bond sale, and Turkey sold a $2 billion, 30-year bond, both last week. This week, Mexico raised $1 billion in 10-year bonds while Poland raised €3 billion ($4.36 billion) in 15-year bonds.

Vietnam is preparing a $1 billion global bond to take advantage of record-low U.S. borrowing cost.

Indonesia's March 2019 bonds, issued last year, were trading to yield around 5.8%. The yield has risen from late last year ahead of the well-telegraphed deal.

The government also plans to sell between $750 million and $1 billion of yen-denominated bonds in Japan as early as this quarter.

In the domestic market, the government on Tuesday raised 7.5 trillion Indonesian rupiah ($819.8 million) from a debt auction of four maturities ranging from one year to 20 years. The sale exceeded its target of five trillion rupiah.

Barclays Capital, Citigroup and Credit Suisse are in charge of the global bond sale.

Japanese bonds

Yields ended little changed after a three-day holiday weekend, as the impact of Friday's weak U.S. jobs report was offset by buying in the domestic market.

The 10-year yield held steady at 1.355%.

The government-bond market will likely continue taking cues from developments in overseas markets, including the results of three-year, 10-year and 30-year U.S. Treasury auctions, said Makoto Yamashita, a strategist at Deutsche Securities.

The weak U.S. jobs report has made investors feel it is safe to buy government debt, as long as there is no big shift in the view that the weak employment situation won't allow the Federal Reserve to raise interest rates immediately, he said.

In Japan, the market is focused on the Ministry of Finance's sale of 300 billion yen ($3.26 billion) of 40-year notes Thursday to gauge the strength of end-investors' demand before the end of the fiscal year in March.

—Megumi Fujikawa

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Leading 10 Performers

FUND RATING*	FUND NAME	FUND MGM'T CO.	CURR.	LEGAL BASE	% Return in $US ** YTD	1-YR	2-YR	5-YR
3	**PF (LUX) Eastern Europe P Cap**	Pictet Funds (Europe) S.A.	EUR	Luxembrg	**7.53**	148.28	-19.29	14.14
2	**Ignis Intl HEXAM Emerg Eurp A EUR Acc**	Ignis Asset Mgmt	EUR	Ireland	**6.20**	135.39	-17.66	NS
2	**Heritam SICAV Eastern Europ Heritage**	Heritam Sicav	EUR	Luxembrg	**6.16**	132.57	-23.46	6.98
3	**OP-Itä-Eurooppa A**	OP-Rahastoyhtiö Oy	EUR	Finland	**7.63**	130.97	-17.50	15.73
3	**JPMorgan New Europe A Acc**	JPMorgan Asset Management (UK) Limited	GBP	United Kingdom	**7.78**	128.98	-17.48	16.87
2	**JPM Eastern Europe Eq A (dist)-EUR**	JF Asset Management Limited (HK)	EUR	Luxembrg	**7.27**	128.61	-19.65	15.43
3	**Bonfield Longbow Ltd**	Bonfield Asset Mgt	USD	British VI	**4.95**	128.28	-19.51	7.61
2	**Petercam Equities Europe Convergence A**	Petercam S.A.	EUR	Belgium	**6.97**	125.93	-19.30	NS
3	**SEB Östeuropafond**	SEB Investment Management AB	SEK	Sweden	**8.84**	123.67	-18.51	13.34
2	**SEB Eastern Europe Small Cap C**	SEB Asset Management S.A.	SEK	Luxembrg	**6.18**	120.24	-18.15	9.70

NOTE: Changes in currency rates will affect performance and rankings.
KEY: * 2YR and 5YR performance is annualized
NA-not available due to incomplete data;
NS-fund not in existence for entire period

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FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	—%RETURN— YTD	12-MO	2-YR
AHW the relaxed way to invest									
■ AHW CAPITAL MANAGEMENT									
Tel (+49) 1805 - 23 82 82									
www.ahw-capital.com									
AHW Top-Div.Int.	GL	EQ	LUX	01/11	EUR	55.07	0.8	16.9	-26.1
AllianceBernstein									
■ ALLIANCE BERNSTEIN									
www.alliancebernstein.com/investments Tel. +800 2263 8637									
Am Eq Blend A	OT	OT	LUX	01/11	USD	10.72	3.4	32.2	-11.6
Am Eq Blend B	US	EQ	LUX	01/11	USD	10.06	3.2	30.8	-12.5
Am Growth A	US	EQ	LUX	01/11	USD	31.98	2.4	40.7	-2.8
Am Growth AX	US	EQ	LUX	01/11	USD	34.52	2.4	41.5	-2.2
Am Growth B	US	EQ	LUX	01/11	USD	26.88	2.4	39.3	-3.7
Am Growth C	US	EQ	LUX	01/11	USD	28.93	2.4	40.0	-3.1
Am Growth I	US	EQ	LUX	01/11	USD	35.45	2.4	41.8	-2.0
Am Income A	US	BD	LUX	01/11	USD	8.52	1.1	24.3	5.9
Am Income A2	US	BD	LUX	01/11	USD	19.27	1.2	24.2	5.8
Am Income A2	OT	OT	NA	01/11	HKD	149.45	1.2	NS	NS
Am Income AT	OT	OT	NA	01/11	HKD	66.00	1.2	NS	NS
Am Income AT	US	BD	LUX	01/11	USD	8.51	1.2	24.3	5.8
Am Income B	US	BD	LUX	01/11	USD	8.52	1.1	23.3	5.1
Am Income B2	US	BD	LUX	01/11	USD	16.60	1.2	23.3	5.1
Am Income B2	OT	OT	NA	01/11	HKD	128.74	1.2	NS	NS
Am Income BT	OT	OT	NA	01/11	HKD	66.39	1.2	NS	NS
Am Income BT	US	BD	LUX	01/11	USD	8.56	1.2	23.4	5.1
Am Income C	US	BD	LUX	01/11	USD	8.52	1.1	23.7	5.4
Am Income C2	US	BD	LUX	01/11	USD	24.69	1.2	23.7	5.4
Am Income I	US	BD	LUX	01/11	USD	8.52	1.1	25.0	6.5
Am Value A	US	EQ	LUX	01/11	USD	8.76	2.7	20.8	-11.6
Am Value B	US	EQ	LUX	01/11	USD	8.06	2.7	19.8	-12.5
Am Value C	US	EQ	LUX	01/11	USD	8.76	2.7	20.3	-12.0
Am Value I	US	EQ	LUX	01/11	USD	9.43	2.7	21.8	-10.9
Emg Mkts Debt A	GL	BD	LUX	01/11	USD	15.80	1.5	44.6	8.4
Emg Mkts Debt A2	GL	BD	LUX	01/11	USD	20.45	1.7	44.8	8.4
Emg Mkts Debt AT	GL	BD	LUX	01/11	USD	15.87	1.7	44.9	8.5
Emg Mkts Debt B	GL	BD	LUX	01/11	USD	15.80	1.5	43.3	7.3
Emg Mkts Debt B2	GL	BD	LUX	01/11	USD	19.69	1.7	43.4	7.4
Emg Mkts Debt BT	GL	BD	LUX	01/11	USD	15.84	1.7	43.3	7.3
Emg Mkts Debt C	GL	BD	LUX	01/11	USD	15.80	1.5	44.0	7.9
Emg Mkts Debt C2	GL	BD	LUX	01/11	USD	20.09	1.7	44.1	7.9
Emg Mkts Debt I	GL	BD	LUX	01/11	USD	15.80	1.5	45.4	9.0
Emg Mkts Growth A	GL	EQ	LUX	01/11	USD	35.81	3.3	78.5	-10.7
Emg Mkts Growth B	GL	EQ	LUX	01/11	USD	30.35	3.3	76.8	-11.6
Emg Mkts Growth C	GL	EQ	LUX	01/11	USD	31.04	3.3	77.8	-11.1
Emg Mkts Growth I	GL	EQ	LUX	01/11	USD	39.71	3.4	79.9	-10.0
Eur Growth A	OT	OT	LUX	01/11	EUR	10.43	2.3	24.6	-14.0
Eur Growth A	OT	OT	LUX	01/11	EUR	7.19	2.3	24.6	-14.0
Eur Growth B	OT	OT	LUX	01/11	EUR	6.47	2.4	23.5	-14.8
Eur Growth B	OT	OT	LUX	01/11	USD	9.39	2.4	23.5	-14.8
Eur Growth C	EU	EQ	LUX	01/11	EUR	5.45	2.3	24.1	-14.4
Eur Growth I	OT	OT	LUX	01/11	USD	11.38	2.2	25.6	-13.4
Eur Growth I	OT	OT	LUX	01/11	EUR	7.84	2.2	25.6	-13.4
Eur Income A	OT	OT	LUX	01/11	EUR	6.74	2.1	38.8	5.2
Eur Income A	OT	OT	LUX	01/11	USD	9.78	2.1	38.8	5.2
Eur Income A2	OT	OT	LUX	01/11	EUR	13.17	2.3	38.8	5.2
Eur Income A2	OT	OT	LUX	01/11	USD	19.11	2.3	38.8	5.2
Eur Income AT	EU	BD	LUX	01/11	EUR	6.74	2.4	38.8	5.2
Eur Income B	OT	OT	LUX	01/11	EUR	6.74	2.1	38.0	4.5
Eur Income B	OT	OT	LUX	01/11	USD	9.78	2.1	38.0	4.5
Eur Income B2	OT	OT	LUX	01/11	EUR	12.25	2.3	37.8	4.4
Eur Income B2	OT	OT	LUX	01/11	USD	17.77	2.3	37.8	4.4
Eur Income BT	EU	BD	LUX	01/11	EUR	6.74	2.3	38.0	4.5
Eur Income C	OT	OT	LUX	01/11	EUR	6.74	2.1	38.3	4.8
Eur Income C	OT	OT	LUX	01/11	USD	9.78	2.1	38.3	4.8
Eur Income C2	OT	OT	LUX	01/11	EUR	13.13	2.3	38.2	4.7
Eur Income C2	OT	OT	LUX	01/11	USD	19.05	2.3	38.2	4.7
Eur Income I	OT	OT	LUX	01/11	EUR	6.74	2.1	39.5	5.8
Eur Income I	OT	OT	LUX	01/11	USD	9.78	2.1	39.5	5.8
Eur Strat Value A	OT	OT	LUX	01/11	EUR	8.72	2.2	21.3	-17.8
Eur Strat Value A	OT	OT	LUX	01/11	USD	12.65	2.2	21.3	-17.8
Eur Strat Value I	OT	OT	LUX	01/11	EUR	8.92	2.1	22.2	-17.2
Eur Strat Value I	OT	OT	LUX	01/11	USD	12.94	2.1	22.2	-17.2
Eur Value A	OT	OT	LUX	01/11	EUR	9.36	1.7	24.1	-14.9
Eur Value A	OT	OT	LUX	01/11	USD	13.58	1.7	24.1	-14.9
Eur Value B	OT	OT	LUX	01/11	USD	12.49	1.8	23.0	-15.7
Eur Value B	OT	OT	LUX	01/11	EUR	8.61	1.8	23.0	-15.7
Eur Value C	OT	OT	LUX	01/11	USD	13.13	1.8	23.6	-15.2
Eur Value C	OT	OT	LUX	01/11	EUR	9.05	1.8	23.6	-15.2
Eur Value I	OT	OT	LUX	01/11	USD	15.70	1.9	25.2	-14.1
Eur Value I	OT	OT	LUX	01/11	EUR	10.82	1.9	25.2	-14.1
Gl Balanced (Euro) A	OT	OT	LUX	01/11	USD	16.96	1.9	22.0	-9.3
Gl Balanced (Euro) B	OT	OT	LUX	01/11	USD	16.51	1.9	20.8	-10.2
Gl Balanced (Euro) C	OT	OT	LUX	01/11	USD	16.83	1.9	21.7	-9.5
Gl Balanced (Euro) I	OT	OT	LUX	01/11	USD	17.27	1.9	NS	NS
Gl Balanced A	US	BA	LUX	01/11	USD	16.86	2.3	26.6	-8.7
Gl Balanced B	US	BA	LUX	01/11	USD	16.03	2.3	25.3	-9.6
Gl Balanced C	OT	OT	LUX	01/11	USD	16.61	2.3	26.2	-9.0
Gl Balanced C	OT	OT	LUX	01/11	EUR	11.45	2.3	26.2	-9.0
Gl Balanced I	US	BA	LUX	01/11	USD	17.49	2.3	27.5	-8.0
Gl Bond A	US	BD	LUX	01/11	USD	9.32	0.9	13.2	4.5
Gl Bond A2	US	BD	LUX	01/11	USD	16.17	1.0	13.2	4.5
Gl Bond A2	OT	OT	NA	01/11	HKD	125.40	1.0	13.2	4.5
Gl Bond AT	OT	OT	LUX	01/11	HKD	72.28	1.1	13.2	4.6
Gl Bond AT	US	BD	LUX	01/11	USD	9.32	1.1	13.2	4.6
Gl Bond B	US	BD	LUX	01/11	USD	9.32	0.9	12.1	3.5
Gl Bond B2	US	BD	LUX	01/11	USD	14.16	1.0	12.1	3.5
Gl Bond B2	OT	OT	NA	01/11	HKD	109.82	1.0	12.1	3.5
Gl Bond BT	OT	OT	LUX	01/11	HKD	72.51	1.0	12.1	3.5
Gl Bond BT	US	BD	LUX	01/11	USD	9.35	1.0	12.1	3.5
Gl Bond C	US	BD	LUX	01/11	USD	9.32	0.9	12.7	4.1
Gl Bond C2	US	BD	LUX	01/11	USD	14.03	1.0	12.7	4.0
Gl Bond I	US	BD	LUX	01/11	USD	9.32	0.9	13.8	5.1
Gl Conservative A	US	BA	LUX	01/11	USD	15.09	1.5	16.6	-3.3
Gl Conservative A2	US	BA	LUX	01/11	USD	17.18	1.5	17.3	-3.0
Gl Conservative B	US	BA	LUX	01/11	USD	15.08	1.5	15.7	-4.1
Gl Conservative B2	US	BA	LUX	01/11	USD	16.32	1.4	16.2	-4.0
Gl Conservative C	US	BA	LUX	01/11	USD	15.08	1.5	16.2	-3.7
Gl Conservative C2	US	BA	LUX	01/11	USD	16.80	1.4	16.7	-3.4
Gl Conservative I	US	BA	LUX	01/11	USD	15.16	1.5	17.4	-2.6
Gl Eq Blend A	GL	EQ	LUX	01/11	USD	12.04	3.3	34.8	-18.1
Gl Eq Blend B	GL	EQ	LUX	01/11	USD	11.29	3.1	33.5	-18.9
Gl Eq Blend C	GL	EQ	LUX	01/11	USD	11.82	3.1	34.2	-18.5
Gl Eq Blend I	GL	EQ	LUX	01/11	USD	12.70	3.3	36.0	-17.4
Gl Growth A	GL	EQ	LUX	01/11	USD	43.17	3.0	33.7	-19.2
Gl Growth B	GL	EQ	LUX	01/11	USD	36.03	3.0	32.3	-20.0
Gl Growth C	GL	EQ	LUX	01/11	USD	41.42	3.0	33.1	-19.5
Gl Growth I	GL	EQ	LUX	01/11	USD	47.95	3.1	34.7	-18.5
Gl High Yield A	US	BD	LUX	01/11	USD	4.44	2.5	58.3	6.1
Gl High Yield A2	US	BD	LUX	01/11	USD	9.53	2.9	58.3	6.1
Gl High Yield A2	OT	OT	NA	01/11	HKD	73.91	2.9	58.3	6.1
Gl High Yield AT	OT	OT	NA	01/11	HKD	34.20	3.0	58.2	6.1
Gl High Yield AT	US	BD	LUX	01/11	USD	4.41	3.0	58.2	6.1
Gl High Yield B	US	BD	LUX	01/11	USD	4.44	2.5	56.3	4.8
Gl High Yield B2	US	BD	LUX	01/11	USD	15.31	2.9	56.7	5.0
Gl High Yield B2	OT	OT	NA	01/11	HKD	118.74	2.9	56.7	5.0
Gl High Yield BT	OT	OT	NA	01/11	HKD	34.74	2.8	56.6	5.0
Gl High Yield BT	US	BD	LUX	01/11	USD	4.48	2.8	56.6	5.0
Gl High Yield C	US	BD	LUX	01/11	USD	4.44	2.5	57.4	5.5
Gl High Yield C2	US	BD	LUX	01/11	USD	14.12	2.9	57.6	5.6
Gl High Yield I	US	BD	LUX	01/11	USD	4.44	2.5	59.4	6.8
Gl Thematic Res. A	OT	OT	LUX	01/11	USD	15.31	3.9	79.1	2.1
Gl Thematic Res. B	OT	OT	LUX	01/11	USD	13.39	3.9	77.1	1.1
Gl Thematic Res. I	OT	OT	LUX	01/11	USD	17.07	3.9	80.4	2.9
Gl Value A	GL	EQ	LUX	01/11	USD	11.52	3.4	36.2	-17.0
Gl Value B	GL	EQ	LUX	01/11	USD	10.58	3.3	34.8	-17.9
Gl Value C	GL	EQ	LUX	01/11	USD	11.19	3.3	35.5	-17.4
Gl Value I	GL	EQ	LUX	01/11	USD	12.25	3.4	37.2	-16.4
Greater China A	AS	EQ	LUX	01/11	USD	41.33	3.2	67.5	-13.5
Greater China B	AS	EQ	LUX	01/11	USD	36.56	3.2	65.8	-14.4
Greater China C	AS	EQ	LUX	01/11	USD	40.80	3.2	66.7	-13.9
India Growth A	OT	OT	LUX	01/11	USD	132.11	4.1	NS	NS
India Growth AX	OT	OT	LUX	01/11	USD	115.49	4.1	98.8	-9.0
India Growth B	OT	OT	LUX	01/11	USD	138.35	4.1	NS	NS
India Growth BX	OT	OT	LUX	01/11	USD	98.69	4.1	96.8	-9.9
India Growth I	EA	EQ	LUX	01/11	USD	119.70	4.1	99.7	-8.7
Int'l Health Care A	OT	EQ	LUX	01/11	USD	140.21	2.0	21.6	-9.0
Int'l Health Care B	OT	EQ	LUX	01/11	USD	118.23	2.0	20.4	-9.9
Int'l Health Care C	OT	EQ	LUX	01/11	USD	134.36	2.0	21.1	-9.4
Int'l Health Care I	OT	EQ	LUX	01/11	USD	153.23	2.0	22.6	-8.3
Int'l Technology A	OT	EQ	LUX	01/11	USD	111.35	0.9	51.0	-6.5
Int'l Technology B	OT	EQ	LUX	01/11	USD	96.46	0.9	49.5	-7.4
Int'l Technology C	OT	EQ	LUX	01/11	USD	107.60	0.9	50.3	-6.9
Int'l Technology I	OT	EQ	LUX	01/11	USD	124.89	0.9	52.2	-5.7
Japan Eq Blend A	JP	EQ	LUX	01/11	JPY	6228.00	3.4	19.3	-18.8
Japan Eq Blend B	JP	EQ	LUX	01/11	JPY	6008.00	3.4	18.1	-19.6
Japan Eq Blend C	JP	EQ	LUX	01/11	JPY	6128.00	3.4	18.7	-19.2
Japan Growth A	JP	EQ	LUX	01/11	JPY	5998.00	2.1	12.5	-19.9
Japan Growth B	JP	EQ	LUX	01/11	JPY	5786.00	2.1	11.4	-20.7
Japan Growth C	JP	EQ	LUX	01/11	JPY	5902.00	2.1	12.0	-20.2
Japan Strat Value A	JP	EQ	LUX	01/11	JPY	6393.00	4.5	25.5	-18.3
Japan Strat Value B	JP	EQ	LUX	01/11	JPY	6173.00	4.4	24.2	-19.1
Japan Strat Value C	JP	EQ	LUX	01/11	JPY	6285.00	4.4	24.9	-18.6
Real Estate Sec. A	OT	EQ	LUX	01/11	USD	14.59	1.7	41.2	-11.1
Real Estate Sec. B	OT	EQ	LUX	01/11	USD	13.33	1.6	39.9	-12.0
Real Estate Sec. I	OT	EQ	LUX	01/11	USD	15.68	1.7	42.4	-10.4
Short Mat Dollar A	US	BD	LUX	01/11	USD	7.33	0.8	11.8	-5.3
Short Mat Dollar A2	US	BD	LUX	01/11	USD	9.88	0.9	11.8	-5.4
Short Mat Dollar AT	US	BD	LUX	01/11	USD	7.32	1.0	11.9	-5.4
Short Mat Dollar B	US	BD	LUX	01/11	USD	7.33	0.8	11.3	-5.8
Short Mat Dollar B2	US	BD	LUX	01/11	USD	9.83	0.9	11.3	-5.9
Short Mat Dollar BT	OT	OT	LUX	01/11	USD	7.33	0.8	10.8	-6.1
Short Mat Dollar C	US	BD	LUX	01/11	USD	7.33	0.8	11.3	-5.8
Short Mat Dollar C2	US	BD	LUX	01/11	USD	13.90	0.9	11.3	-5.8
Short Mat Dollar I	US	BD	LUX	01/11	USD	7.33	0.8	12.4	-4.8

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FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	—%RETURN— YTD	12-MO	2-YR
■ ALEXANDRA INVESTMENT MANAGEMENT									
Tel: +1 212 301 1800 Fax: +1 212 301 1810									
Alexandra Convertible Bond Fund I, Ltd. (Class A)	OT	OT	VGB	11/30	USD	1616.75	66.9	72.1	NS
CREDIT PACIFIC Private Banking & Wealth Management Group									
■ CREDIT PACIFIC ASSET MANAGMENT									
www.creditpacific.com									
CPS-Master Priv Fund	GL	OT	WSM	01/08	USD	100.00	0.0	21.5	20.8
PLATINUM CAPITAL MANAGEMENT									
■ PLATINUM CAPITAL MANAGEMENT									
Tel: +44 207 024 9840, www.platinumfunds.net									
Platinm-All Star	OT	OT	CYM	10/30	USD	95.07	13.2	5.7	-13.4
Platinm-All Weather	OT	OT	USA	10/31	USD	129.92	2.4	3.2	3.8
Platinm-Dynasty	OT	OT	USA	10/30	USD	108.45	5.5	2.5	-34.0
Platinm-Emancipation	OT	OT	USA	10/30	USD	93.58	25.0	9.3	-11.3
Platinm-Equity Plus	OT	OT	USA	05/29	USD	35.02	-18.2	-63.7	-45.6
Platinm-Gbl Dividend	OT	OT	CYM	10/30	USD	60.64	29.4	15.3	-31.8
Platinm-Nordic	OT	OT	CYM	10/30	SEK	607.79	11.4	9.7	-18.3
Platinm-Premier	OT	OT	CYM	12/31	USD	21.20	-55.9	-66.0	-44.3
Platinm-Turnberry	OT	OT	USA	10/30	USD	56.60	NS	NS	-38.7
SUPERFUND									
■ SUPERFUND ASSET MANAGEMENT GMBH									
For info about open funds, contact info@superfund.com and www.superfund.com									
**Closed for New Investments*									
Superfund Cayman*	OT	OT	CYM	01/05	USD	45.49	8.4	-45.4	-2.5
Superfund GCT USD*	GL	EQ	LUX	01/05	USD	2391.00	7.7	-34.5	-0.7
Superfund Green Gold A (SPC)	OT	OT	CYM	01/05	USD	1038.69	6.7	-10.7	8.7
Superfund Green Gold B (SPC)	OT	OT	CYM	01/05	USD	1027.10	9.1	-23.8	4.7
Superfund Q-AG*	OT	OT	AUT	01/05	EUR	6977.00	5.3	-20.4	3.8
■ WINTON CAPITAL MANAGEMENT LTD									
Tel: +44 (0)20 7610 5350 Fax: +44 (0)20 7610 5301									
Winton Evolution EUR Cls H	OT	OT	CYM	12/31	EUR	945.08	NS	NS	NS
Winton Evolution GBP Cls G	OT	OT	CYM	12/31	GBP	949.08	NS	NS	NS
Winton Evolution USD Cls F	OT	OT	CYM	12/31	USD	1199.12	-5.4	-5.4	2.0
Winton Futures EUR Cls C	OT	OT	VGB	12/31	EUR	196.82	-4.4	-4.4	7.7
Winton Futures GBP Cls D	OT	OT	VGB	12/31	GBP	212.85	-4.1	-4.1	8.7
Winton Futures JPY Cls E	OT	OT	VGB	12/31	JPY	13885.82	-5.9	-5.9	5.0
Winton Futures USD Cls B	OT	OT	VGB	12/31	USD	699.39	-4.6	-4.6	7.4

For information about listing your funds, please contact: Carson Wong tel: +852 2831-6481; email: carson.wong@dowjones.com

MARKETS

Alcoa skids 9.4%; miners fall in U.K.

By Kristina Peterson

U.S. stocks declined modestly as early earnings reports from **Alcoa** and others fell short of investors' high expectations.

Alcoa tumbled 9.4% in midday trade after the aluminum maker posted a $277 million loss with lower sales in its construction, aerospace, commercial-building and gas-turbine markets.

ABREAST OF THE MARKET

The Dow Jones Industrial Average was down 40.13 points, or 0.4%, to 10623.86. The Nasdaq Composite Index was off 20.68 points, or 0.9%, to 2291.73, and the Standard & Poor's 500-share index declined 8.4 points, or 0.7%, to 1138.58. Its energy and materials sectors dragged as the price of crude oil, which had topped $83 a barrel Monday, reversed course and fell to less than $82 per barrel.

The only sector in the S&P 500 posting a gain was consumer staples, a traditional safe haven that edged up 0.4%.

Investors had expected this reporting season to look particularly strong thanks in part to easier comparisons to the bleak fourth quarter of 2008, along with the massive cost cutting of 2009.

Video games publisher **Electronic Arts** warned on fiscal 2010 earnings, blaming weakness in Europe as well as a shift toward lower-margin products in Europe. Its shares fell 7.7%.

Hartford Financial Services Group shares rose 6.7% after the company doubled its fourth-quarter earnings guidance as rising financial markets and a mild storm season helped its businesses.

KB Home declined 5.6% after the home builder swung to a fiscal fourth-quarter profit. A tax benefit helped it beat expectations, but its revenue tumbled as home prices continue to fall.

European stocks

Shares lost ground, pressured by signs that China is moving to rein in growth and a lackluster start to the U.S. earnings season. The pan-European Dow Jones Stoxx 600 index declined 0.9% to 256.38.

Miners declined; **BHP Billiton** lost 2.3% in London.

"There's so much in the price that [miners] are extremely sensitive to doubts about global growth," said Bernard McAlinden, strategist at NCB Stockbrokers.

Among national indexes, the U.K. FTSE 100 index lost 0.7% to 5498.71, the German DAX index declined 1.6% to 5943.00 and the French CAC-40 index fell 1.1% to 4000.05.

EADS fell 2.6% after its chief executive pressed seven governments to make a decision on a delayed military transport plane by the end of month or risk having the plane scrapped.

Dollar suffers more losses against the yen

By Fabio Alves

NEW YORK—The dollar extended losses against the yen Tuesday, trading below 91 yen for the first time in three weeks, as the Japanese currency benefits from falling U.S. Treasury yields and investor demand for safe-haven assets.

The dollar's slide against the yen also eroded the greenback's overnight gains against other rivals, including the euro, which moved into positive territory against the dollar.

CURRENCY MARKETS

Short-dated Treasury yields, the most sensitive to official rate changes, have fallen and prices risen since Friday's disappointing jobs report underlined that the Federal Reserve will remain on hold for a while. The two-year yield slipped Friday below 1% and on Tuesday morning traded at 0.91%. The 10-year yield dropped 0.09 percentage point from Monday to 3.73%.

In late-morning trade, the euro was at $1.4533 from $1.4524 late Monday. The dollar was at 91.02 yen from 92.06 yen. The U.K. pound was at $1.6176 from $1.6112, and the dollar was at 1.0156 Swiss francs from 1.0157 francs.

The ICE Dollar Index, which tracks the greenback against a trade-weighted basket of currencies, slipped to 76.838 from 76.983.

The dollar held on to its overnight rally against currencies from commodities-rich countries.

Resources shares slide; Shanghai, Tokyo gain

By Wei Zhe Tan And Leslie Shaffer

SINGAPORE—Asian markets ended on a mixed note Tuesday, with **Alcoa**'s disappointing earnings weighing on the region's materials shares.

Software developers jumped in India after **Infosys Technologies**' better-than-expected quarterly results and improved profit forecast.

ASIAN-PACIFIC STOCKS

China's Shanghai Composite stretched gains to a third successive session, rising 1.9% to 3273.97, while Japan's Nikkei Stock Average of 225 companies gained 0.8% to 10879.14, as trading resumed after Monday's holiday.

Australia's S&P/ASX 200 shed 1% to 4899.52, India's Sensex fell 0.6% to 17422.51, and Hong Kong's Hang Seng Index fell 0.4% to 22326.64.

Results from U.S.-based aluminum maker Alcoa weighed on resources plays. After Wall Street's close Monday, the company posted earnings, excluding charges, of one cent a share for the fourth quarter, compared with expectations for five cents. Alcoa shares fell in after-hours trade.

Among aluminum plays, Australia's **Alumina**, which is a joint-venture partner of Alcoa, dropped 4.9%, with Citigroup saying it sees a potential risk to its earnings forecast. **Aluminum Corp. of China** shed 2.4% in Hong Kong, while **Hindalco Industries** and **National Aluminium** dropped 2.4% and 0.9%, respectively, in Mumbai.

In Mumbai, Infosys added 4% after the company reported better-than-expected results for the fiscal third quarter and raised its outlook for the year. Other technology plays also rose, with **Tata Consultancy Services** adding 4.9% and **Wipro** climbing 4.9%.

Japanese steelmakers advanced after the Nikkei newspaper reported the country's four major steelmakers are expected to increase their combined overseas production capacity nearly fourfold by 2020, a shift driven by the saturation of the domestic market and the rising value of the yen. **JFE Holdings** added 3.6%, **Nippon Steel** gained 5.1% and **Sumitomo Metal Industries** advanced 5.6%.

Shipping companies surged in Hong Kong as well as Shanghai after strong recent Chinese trade data. **China Cosco Holdings** jumped 5.4% and **China Shipping Development** gained 2.1% in Shanghai; in Hong Kong, China Cosco added 1.6%, despite the broad market weakness.

In Tokyo, **Japan Airlines** plunged 45% on concerns the carrier might file for bankruptcy protection, with local media reporting the government may delist the stock.

Japanese auto makers advanced with **Toyota Motor** rising 3.9% after senior executive Yoshi Inaba said Monday the company expects the rebound in U.S. vehicle sales to be moderate this year but to accelerate the next two years.

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Allianz Global Investors

■ ALLIANZ GLOBAL INVESTORS KAPITALANLAGEGESELLSCHAFT

FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
Concentra AE	EU	EQ	DEU	01/12	EUR	52.68	1.0	35.8	-9.3
Industria AE	EU	EQ	DEU	01/12	EUR	72.90	1.9	30.0	-14.0
InternRent AE	EU	BD	DEU	01/12	EUR	35.35	0.4	0.0	9.1

■ CHARTERED ASSET MANAGEMENT PTE LTD - TEL NO: 65-6835-8866

Fax No: 65-6835 8865, Website: www.cam.com.sg, Email: cam@cam.com.sg

CAM-GTF Limited	AS	EQ	MUS	12/31	USD	274508.01	103.5	103.5	2.6

GAM

■ GAM FUND MANAGEMENT LIMITED

George's Court, 54-62 Townsend Street, Dublin 2, Ireland

Tel +353 1 609 3927 Fax +353 1 611 7941, Internet: www.gam.com

FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
GAM Arbitrage Op	OT	OT	VGB	01/04	USD	1244.35	0.1	22.8	-8.4
GAM Asia Eq Hdg JPY Op	GL	EQ	VGB	01/04	JPY	15780.46	1.6	68.3	2.6
GAM Asia Equity Hedge US	OT	OT	VGB	01/04	USD	294.09	1.3	68.5	4.0
GAM Asia Equity USD	OT	OT	VGB	01/11	USD	671.98	2.8	72.2	-10.6
GAM Asia-Pacific Eq USD	OT	OT	VGB	01/05	USD	1311.62	2.2	22.5	-14.8
GAM Com Glb Bal EUR Op	US	BA	VGB	12/31	EUR	94.49	15.2	15.2	-9.0
GAM Com Glb Bal USD Op	US	BA	VGB	12/31	USD	127.78	15.2	15.2	-9.0
GAM Comp Glb Eq EUR Op	GL	EQ	VGB	12/31	EUR	97.11	22.1	22.1	-15.7
GAM Comp Glb Eq USD Op	GL	EQ	VGB	12/31	USD	127.52	22.1	22.1	-15.7
GAM Comp Glb Gr EUR Op	US	BA	VGB	12/31	EUR	85.62	15.6	15.6	-13.0
GAM Comp Glb Gr USD Op	US	BA	VGB	12/31	USD	127.07	15.6	15.6	-13.0
GAM CompAbsRT EUR Op	OT	OT	VGB	09/30	EUR	141.71	9.1	0.1	-6.9
GAM CompAbsRT SGD Op	OT	OT	VGB	09/30	SGD	102.21	9.2	-0.1	-8.3
GAM CompAbsRT USD Op	OT	OT	VGB	09/30	USD	845.66	9.5	0.7	-7.0
GAM Cptal Apprec Eq Inc	US	EQ	VGB	01/08	USD	255.42	2.7	36.5	-8.7
GAM Cross Trading Inc	OT	OT	VGB	12/31	USD	465.88	6.5	6.5	6.1
GAM Diversity CHF Op	OT	OT	VGB	12/31	CHF	94.31	4.2	4.2	-7.0
GAM Diversity EUR Op	OT	OT	VGB	12/31	EUR	648.51	5.1	5.1	-5.4
GAM Diversity USD 2.5XL	OT	OT	VGB	12/31	USD	78.29	8.5	8.5	-19.8
GAM Diversity USD Op	OT	OT	VGB	12/31	USD	680.96	5.1	5.1	-5.9
GAM Dvrsty II CHF Op	OT	OT	VGB	12/31	CHF	99.50	4.0	4.0	-6.6
GAM Dvrsty II EUR Op	OT	OT	VGB	12/31	EUR	138.77	4.6	4.6	-5.5
GAM Dvrsty II USD Op	OT	OT	VGB	12/31	USD	210.17	4.6	4.6	-5.8
GAM DvrstyIII EUR Op	OT	OT	VGB	12/31	EUR	115.55	4.5	4.5	-5.6
GAM DvrstyIII USD Op	OT	OT	VGB	12/31	USD	121.98	4.6	4.6	-5.8
GAM Euro Eq Hdg EUR Op	EU	EQ	VGB	01/04	EUR	220.59	0.8	11.8	-4.2
GAM Euro Eq Hdg USD Op	OT	OT	VGB	01/04	USD	204.97	0.8	12.5	-2.6
GAM European Equity USD	OT	OT	VGB	01/08	USD	301.80	2.9	27.1	-12.2
GAM GAMCO	OT	EQ	VGB	01/05	USD	827.18	2.0	42.5	-9.8
GAM Gb EmMkts Hdg EUROp	OT	OT	VGB	01/04	EUR	98.32	0.5	14.0	-16.6
GAM Gb EmMkts Hdg USDOp	OT	OT	VGB	01/04	USD	103.67	0.5	14.5	-15.9
GAM Gbl Divers USD Inc.	GL	EQ	VGB	01/04	USD	254.02	1.7	25.0	-7.4
GAM Grtr China Eq Hdg Op	GL	EQ	VGB	01/04	USD	289.88	1.1	103.0	22.0
GAM Intrst Trend II	GL	BD	VGB	12/31	USD	94.13	42.5	42.5	-9.1
GAM Intrst Trend Inc	OT	OT	VGB	12/31	USD	251.51	57.9	57.9	-7.1
GAM Japan Eq Hdg EUR Op	AS	EQ	VGB	01/04	EUR	117.58	0.7	10.1	-7.4
GAM Japan Eq Hdg USD Op	OT	OT	VGB	01/04	USD	122.92	0.7	9.3	-19.2
GAM Japan Eq Hdg YEN Open	AS	EQ	VGB	01/04	JPY	8465.78	0.7	9.7	-18.3
GAM Japan USD	JP	EQ	VGB	01/11	USD	1165.51	5.7	12.5	-12.3
GAM Japan YEN	JP	EQ	VGB	01/11	JPY	9291.23	5.3	16.2	-18.4
GAM Money Mkt EuroOp	EU	MM	VGB	01/08	EUR	51.14	0.0	0.2	1.6
GAM Money Mkt USD	US	MM	VGB	01/08	USD	99.97	0.1	0.0	0.8
GAM Multi-Arb EUR Op	OT	OT	VGB	12/31	EUR	111.21	-0.8	-0.8	-9.3
GAM Multi-Arb USD Op	OT	OT	VGB	12/31	USD	116.05	-0.6	-0.6	-9.6
GAM Multi-China EUR Op	OT	OT	VGB	12/31	EUR	167.97	13.1	13.1	-8.5
GAM Multi-China USD Op	OT	OT	VGB	12/31	USD	176.59	13.7	13.7	-9.2
GAM Multi-Emer Mkts GBP	OT	OT	VGB	12/31	GBP	131.51	25.7	25.7	-2.4
GAM Multi-Emer Mkts USD	OT	OT	VGB	12/31	USD	650.94	25.6	25.6	-2.7
GAM Multi-Eur EUR Op	OT	OT	VGB	12/31	EUR	268.84	7.1	7.1	-9.9
GAM Multi-Eur II EUR Op	OT	OT	VGB	12/31	EUR	138.33	7.1	7.1	-9.9
GAM Multi-Eur II USD Op	OT	OT	VGB	12/31	USD	113.08	6.6	6.6	-10.8
GAM Multi-Eur USD Op	OT	OT	VGB	12/31	USD	467.71	6.7	6.7	-10.7
GAM Multi-Nth Am EUR Special	OT	OT	VGB	12/31	EUR	134.00	12.4	12.4	-3.9
GAM Multi-Nth Am USD Special	OT	OT	VGB	12/31	USD	218.14	12.7	12.7	-4.0
GAM Multi-Pac EUR Op	GL	EQ	VGB	12/31	EUR	143.40	5.2	5.2	-4.4
GAM Multi-Pac USD Op	OT	OT	VGB	12/31	USD	165.42	5.2	5.2	-4.8
GAM Portable Dvr/S&P500	OT	OT	VGB	08/24	USD	70.11	17.7	-27.7	-22.9
GAM Selection Hdg	US	EQ	VGB	01/04	USD	2679.04	1.6	69.2	9.6
GAM Sing/Malaysia	AS	EQ	VGB	01/11	USD	2638.71	4.5	62.0	-9.6
GAM Sterling Spe Bd Inc	OT	OT	VGB	01/04	GBP	230.99	0.4	41.6	2.4
GAM Trading EUR Inc	OT	OT	VGB	12/31	EUR	325.15	6.4	6.4	6.7
GAM Trading USD Inc	OT	OT	VGB	12/31	USD	973.05	6.5	6.5	6.1
GAM Trdg II IncEUR Op	OT	OT	VGB	12/31	EUR	139.06	6.2	6.2	6.6
GAM Trdg II IncUSD Op	OT	OT	VGB	12/31	USD	315.95	6.5	6.5	6.2
GAM Trdg IV IncEUR Op	OT	OT	VGB	12/31	EUR	146.76	6.0	6.0	6.4
GAM Trdg IV IncUSD Op	OT	OT	VGB	12/31	USD	154.52	6.3	6.3	6.1
GAM Trdg V IncEUR Op	OT	OT	VGB	12/31	EUR	124.45	6.1	6.1	6.2
GAM Trdg V IncUSD Op	OT	OT	VGB	12/31	USD	129.60	6.2	6.2	6.0
GAM TrdgIII IncEUR Op	OT	OT	VGB	12/31	EUR	157.01	6.2	6.2	6.4
GAM TrdgIII IncUSD Op	OT	OT	VGB	12/31	USD	162.51	6.3	6.3	6.1
GAM USDSpecBondInc	US	BD	VGB	01/04	USD	533.53	0.7	75.5	6.4
GAM Worldwide	GL	EQ	VGB	01/08	USD	2289.77	2.9	28.5	-7.9
GAMut Investments	OT	OT	VGB	01/06	USD	7647.01	0.9	5.3	8.0

■ GAM Star Fund Plc

GAMStar-AsEqCHF Ord Ac	AS	EQ	IRL	01/08	CHF	11.14	0.9	56.4	-14.6
GAMStar-AsEqEUR Ord Ac	AS	EQ	IRL	01/08	EUR	12.08	1.5	61.5	-9.3
GAMStar-AsEqGBP Ord Ac	AS	EQ	IRL	01/08	GBP	1.61	3.0	61.5	-0.3
GAMStar-AsEqUSD Ord Ac	AS	EQ	IRL	01/08	USD	13.69	2.0	70.2	-9.9
GAMStar-AsPacEqEUR Acc	AS	EQ	IRL	01/11	EUR	105.27	4.1	20.8	-10.1
GAMStar-AsPacEqEUR Inc	AS	EQ	IRL	01/11	EUR	101.88	4.1	20.8	-10.1
GAMStar-ContEurEqEUR Ac	EU	EQ	IRL	01/08	EUR	11.29	2.7	24.6	-8.9
GAMStar-EurpEqEUR Acc	EU	EQ	IRL	01/08	EUR	187.36	2.3	23.1	-11.5
GAMStar-EurpEqEUR Inc	EU	EQ	IRL	01/08	EUR	171.20	2.3	23.0	-11.5
GAMStar-EurpEqUSD Acc	EU	EQ	IRL	01/08	USD	16.46	2.9	29.4	-12.1
GAMStar-EurpEqUSD Inc	EU	EQ	IRL	01/08	USD	14.93	2.9	29.4	-12.1
GAMStar-FrontierOppUSD Acc	GL	EQ	IRL	01/08	USD	5.60	2.1	19.6	NS
GAMStar-JpnEq EUR Acc	JP	EQ	IRL	01/11	EUR	92.40	5.0	9.4	-9.0
GAMStar-JpnEq EUR Inc	JP	EQ	IRL	01/11	EUR	92.40	5.0	9.4	-9.0
GAMStar-JpnEq JPY Acc	JP	EQ	IRL	01/11	JPY	968.63	5.2	15.5	-18.3
GAMStar-JpnEq USD Acc	JP	EQ	IRL	01/11	USD	11.74	5.6	11.2	-12.5
GAMStar-World EqUSD Acc	GL	EQ	IRL	01/08	USD	2302.41	2.9	29.5	-7.5

Manulife Wealth Management 宏利財富管理

■ MANULIFE ASSET MANAGEMENT TEL:(852)2108 1110

Internet:http://www.manulife.com.hk 47/F Manulife Plaza, Causeway Bay, Hong Kong

American Growth	US	EQ	LUX	01/12	USD	15.54	1.9	26.1	-10.2
American Growth AA	US	EQ	LUX	01/12	USD	0.90	1.9	25.7	-5.3
Asian Equity	AS	EQ	LUX	01/12	USD	2.52	2.9	72.7	-7.3
Asian Equity AA	AS	EQ	LUX	01/12	USD	0.81	2.9	72.0	-7.6
Asian Sm Cap Equity AA	AS	EQ	LUX	01/12	USD	1.21	3.9	96.0	-4.3
China Value A	AS	EQ	LUX	01/12	USD	7.28	2.6	71.3	-5.2
China Value AA	AS	EQ	LUX	01/12	USD	2.29	2.6	70.9	-5.4
Dragon Growth	AS	EQ	LUX	01/12	USD	1.70	3.6	73.1	-7.4
Dragon Growth AA	OT	OT	LUX	01/12	HKD	8.28	3.6	72.8	-8.6
Emg Eastrn Europe A	EU	EQ	LUX	01/12	USD	4.88	7.1	100.7	-15.8
Emg Eastrn Europe AA	EU	EQ	LUX	01/12	USD	2.10	7.1	100.4	-15.9
European Growth	EU	EQ	LUX	01/12	USD	9.38	4.4	43.5	-14.1
European Growth AA	EU	EQ	LUX	01/12	USD	0.67	4.4	43.2	-14.3
Global Contrarain AA	GL	EQ	LUX	01/12	USD	0.94	6.4	84.0	NS
Global Property AA	OT	EQ	LUX	01/12	USD	0.69	2.0	46.6	-9.9
Global Resources AA	OT	EQ	LUX	01/12	USD	1.15	7.0	56.7	-9.5
Healthcare AA	OT	EQ	LUX	01/12	USD	0.95	0.6	15.4	NS
India Equity AA	EA	EQ	LUX	01/12	USD	1.13	4.0	88.8	-18.3
International Growth	GL	EQ	LUX	01/12	USD	3.15	3.3	25.0	-12.7
International Growth AA	GL	EQ	LUX	01/12	USD	0.73	3.3	24.7	-12.9
Japanese Growth	JP	EQ	LUX	01/12	USD	2.91	3.3	10.4	-10.0
Japanese Growth AA	JP	EQ	LUX	01/12	USD	0.76	3.3	10.1	-10.2
Latin America Equity AA	GL	EQ	LUX	01/12	USD	1.33	4.2	98.6	-1.8
Manulife GF Strategic Income Fund AA	OT	OT	NA	01/12	USD	1.02	1.5	NS	NS
MGF Asia Value Dividend Equity Fund	OT	OT	Lux	01/12	USD	1.17	3.0	NS	NS
Russia Equity AA	EE	EQ	LUX	01/12	USD	0.68	11.1	129.5	-20.7
Taiwan Equity AA	AS	EQ	LUX	01/12	USD	1.09	1.6	94.2	6.1
Turkey Equity AA	EE	EQ	LUX	01/12	USD	0.81	6.8	126.9	-9.4
U.S. Bond AA	US	BD	LUX	01/12	USD	1.12	0.9	17.6	7.3
U.S. Sm Cap Equity AA	US	EQ	LUX	01/12	USD	0.85	4.3	61.4	-8.8
U.S. Special Opportunities	OT	OT	LUX	01/12	USD	0.86	5.1	75.5	4.7
U.S. Tsy Inf-ProtSec AA	OT	BD	LUX	01/12	USD	1.15	0.4	9.3	2.6

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Indonesian Grth Fund	EA	EQ	CYM	01/06	USD	134.30	5.5	107.9	-0.5

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Asia Value Formula Fd-B	AS	EQ	CYM	01/11	USD	8.27	3.1	92.3	-3.5

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Bonds Eur Hi Yld A	OT	OT	LUX	01/08	EUR	21.25	3.3	52.1	0.7
Bonds EURO A	OT	OT	LUX	01/08	EUR	41.20	0.4	4.9	5.1
Bonds EUROPE A	OT	OT	LUX	01/11	EUR	39.24	0.3	2.9	4.2
Bonds US OppsCoreplus A	OT	OT	LUX	01/08	USD	37.05	0.4	16.1	8.0
Bonds World A	OT	OT	LUX	01/11	USD	42.45	1.1	7.7	5.5
Eq. AsiaPac Dual Strategies A	OT	OT	LUX	01/11	USD	10.78	3.4	70.0	-10.0
Eq. China A	AS	EQ	LUX	01/11	USD	24.55	1.7	68.5	-13.5
Eq. Concentrated Euroland A	OT	OT	LUX	01/11	EUR	94.53	1.7	22.2	-17.0
Eq. ConcentratedEuropeA	EU	EQ	LUX	01/11	EUR	27.62	2.3	30.1	-15.0
Eq. Emerging Europe A	OT	OT	LUX	01/11	EUR	24.84	5.4	76.5	-23.5
Eq. Euroland A	EU	EQ	LUX	01/11	EUR	11.02	1.8	18.6	-18.1
Eq. Euroland Small Cap A	OT	OT	LUX	01/11	EUR	148.27	5.0	45.8	-5.4
Eq. EurolandCyclclsA	EU	EQ	LUX	01/11	EUR	18.20	2.3	29.5	-11.8
Eq. EurolandFinancialA	OT	EQ	LUX	01/11	EUR	11.79	4.2	35.8	-18.6
Eq. Glbl Emg Cty A	GL	EQ	LUX	01/11	USD	10.05	3.8	69.6	-13.0
Eq. Global A	GL	EQ	LUX	01/11	USD	28.76	3.3	37.2	-11.1
Eq. Global Energy A	OT	EQ	LUX	01/08	USD	18.83	3.8	23.9	-12.6
Eq. Global Resources A	OT	OT	LUX	01/11	USD	116.99	7.1	64.2	-7.7
Eq. Gold Mines A	OT	OT	LUX	01/11	USD	32.91	8.6	68.4	-1.3
Eq. India A	OT	OT	LUX	01/11	USD	136.01	4.0	90.0	-18.3
Eq. Japan CoreAlpha A	OT	OT	LUX	01/08	JPY	7625.74	5.1	23.2	-9.5
Eq. Latin America A	OT	OT	LUX	01/08	USD	120.53	3.7	83.4	-7.9
Eq. US Lg Cap Gr A	US	EQ	LUX	01/11	USD	15.77	3.4	44.0	-9.2
Eq. US Rel Val A	US	EQ	LUX	01/11	USD	21.34	3.6	38.3	-10.9
Eq. US Sm Cap Val A	US	EQ	LUX	01/11	USD	16.67	4.5	30.6	-14.8
Money Market EURO A	EU	MM	LUX	01/11	EUR	27.40	0.0	0.9	2.6
Money Market USD A	US	MM	LUX	01/11	USD	15.83	0.0	0.5	1.6

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■ THE NATIONAL INVESTOR

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TNI Mena Real Estate Fund	OT	OT	BMU	12/31	USD	961.18	2.2	2.2	-27.7
TNI MENA Special Sits Fund	OT	OT	BMU	12/31	USD	1079.31	11.2	11.2	NS
TNI UAE Blue Chip Fund	OT	OT	ARE	01/07	AED	5.51	3.3	20.1	-31.8

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Intel-Chin MainInd Foc	AS	EQ	CYM	12/31	USD	29.84	86.0	86.0	1.4
Intel-China Converg*	AS	EQ	CYM	12/31	USD	114.03	87.1	87.1	1.3
VP Classic - A	AS	EQ	CYM	01/11	USD	193.37	3.7	84.8	-0.5
VP CLassic - B	AS	EQ	CYM	01/11	USD	90.11	3.7	83.9	-1.0
VP High Dividend Stk	AS	EQ	CYM	01/04	USD	46.09	1.5	85.5	-0.7

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■ YUKI INTERNATIONAL LIMITED

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■ YMR-N Series

YMR-N Growth Fund	OT	OT	IRL	01/12	JPY	9694.00	1.2	15.2	-22.1
YMR-N Small Cap Fund	OT	OT	IRL	01/12	JPY	6992.00	-1.1	12.7	-22.3

■ Yuki 77 Series

Yuki 77 General	JP	EQ	IRL	01/12	JPY	6320.00	2.7	7.9	-22.5
Yuki 77 Growth	JP	EQ	IRL	01/12	JPY	5746.00	1.8	3.2	-28.2

■ Yuki Chugoku Series

Yuki Chugoku Jpn Gen	JP	EQ	IRL	01/12	JPY	7073.00	3.6	13.2	-18.9
Yuki Chugoku JpnLowP	JP	EQ	IRL	01/12	JPY	7895.00	4.7	-0.5	-19.1

■ Yuki Hokuyo Japan Series

Yuki Hokuyo Jpn Gen	JP	EQ	IRL	01/12	JPY	4864.00	4.1	8.7	-22.3
Yuki Hokuyo Jpn Inc	JP	EQ	IRL	01/12	JPY	5491.00	4.6	8.2	-16.6
Yuki Hokuyo Jpn Sm Cap	JP	EQ	IRL	01/12	JPY	5083.00	-0.4	12.2	-19.3

■ Yuki Mizuho Series

Yuki Mizuho Gen Jpn III	OT	OT	IRL	01/12	JPY	4552.00	3.0	9.6	-26.4
Yuki Mizuho Jpn Dyn Gro	OT	OT	IRL	01/12	JPY	4795.00	2.8	8.6	-26.3
Yuki Mizuho Jpn Exc 100	OT	OT	IRL	01/12	JPY	7194.00	3.2	19.4	-20.7
Yuki Mizuho Jpn Gen	OT	OT	IRL	01/12	JPY	8922.00	3.6	14.1	-20.0
Yuki Mizuho Jpn Gro	OT	OT	IRL	01/12	JPY	6543.00	2.9	8.9	-23.7
Yuki Mizuho Jpn Inc	OT	OT	IRL	01/12	JPY	7906.00	3.6	1.3	-19.8
Yuki Mizuho Jpn Lg Cap	OT	OT	IRL	01/12	JPY	5419.00	4.4	11.5	-20.6
Yuki Mizuho Jpn LowP	OT	OT	IRL	01/12	JPY	11939.00	3.3	11.3	-15.7
Yuki Mizuho Jpn PGth	OT	OT	IRL	01/12	JPY	8090.00	1.6	10.0	-26.4
Yuki Mizuho Jpn SmCp	OT	OT	IRL	01/12	JPY	7063.00	-1.0	18.3	-21.0
Yuki Mizuho Jpn Val Sel	OT	OT	IRL	01/12	JPY	5881.00	4.1	15.1	-17.9
Yuki Mizuho Jpn YoungCo	OT	OT	IRL	01/12	JPY	2695.00	-1.1	13.5	-29.0

■ Yuki Shizuoka Japan Series

Yuki Shizuoka General Japan	JP	EQ	IRL	01/12	JPY	5624.00	3.7	13.5	-19.5

For information about listing your funds, please contact: Carson Wong tel: +852 2831-6481; email: carson.wong@dowjones.com

Major players & benchmarks

At right, a look at the Asia Titans, the biggest and best known companies in Asia. Below, some of the Dow Jones Titans indexes of biggest and most liquid stocks in individual countries and regions

Giants around the world

In U.S.-dollar terms.

Dow Jones Country Titans

	INDEX PERFORMANCE Previous session	Year-to-date	52-week
Japan	1.77%	**5.7%**	18.8%
Russia	-1.25	**2.7**	107.3
Hong Kong	-0.27	**2.2**	61.2
Sweden	-0.96	**2.2**	54.1
France	-0.87	**1.7**	26.3
Switzerland	-0.87	**1.5**	27.4
U.K.	-0.77	**1.5**	24.5
Netherlands	-0.68	**1.3**	33.8
Italy	-0.64	**1.3**	23.7
Spain	-0.72	**1.3**	19.9
Brazil	-1.22	**0.7**	107.9
South Africa	-0.65	**0.7**	24.8
Turkey	-0.54	**0.6**	98.4
Canada	-0.63	**0.4**	29.6
Australia	-0.94	**0.2**	32.5
South Korea	0.33	**0.1**	46.8
Singapore	-0.69	**unch.**	66.0
Germany	-1.32	**unch.**	22.4
China 88	1.27	**-1.8%**	76.6

Dow Jones Regional Sector Titans

EU Enlarged†-p	1.95%	**6.4%**	40.3%
Ind Gds Svcs	0.02	**5.9**	41.8
Auto Parts	0.79	**5.1**	62.2
Asian 50	0.77	**5.1**	42.1
Nordic 30 -p	0.61	**3.7**	37.1
Arab 50	-0.46	**2.5**	15.8
Global 50	-0.14	**2.1**	28.2
Tiger 50*	-0.31	**2.0**	67.8
Stoxx 50 -p	-0.21	**1.5**	23.2
Euro Stoxx 50 -p	-0.25	**1.5**	22.8

*Asia excluding Japan †15 companies from the new EU countries; Cyprus, CzechRepublic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia and Slovenia.

Source: Dow Jones Indexes

Dow Jones Asia Titans: Tuesday's best and worst...

Company	Country	Industry	Market value, in billions of US$	Previous close, in local currency	STOCK PERFORMANCE Previous session	52-week	Three-year
Panasonic	Japan	Consumer Electronics	$32.9	1,449	**5.61%**	30.5%	-39.6%
Nippon Steel	Japan	Iron Steel	27.3	395.00	**5.05**	37.6	-39.2
Honda Motor	Japan	Automobiles	66.4	3,315	**4.08**	71.1	-29.3
Toyota Motor	Japan	Automobiles	142.1	4,115	**3.91**	43.1	-48.0
Sony	Japan	Consumer Electronics	31.9	2,916	**3.81**	45.8	-48.8
Indl Comm Bk China	Hong Kong	Banks	$65.9	6.15	**-2.23%**	80.4	29.8
BHP Billiton	Australia	General Mining	134.8	43.49	**-2.20**	42.9	74.8
China Constr Bk	Hong Kong	Banks	186.0	6.42	**-2.13**	74.0	30.5
QBE Ins Grp	Australia	Reinsurance	23.1	24.45	**-2.12**	-4.2	-18.9
RioZim Ltd	Australia	General Mining	43.9	78.37	**-2.04**	146.1	37.0

...And the rest of Asia's blue chips

Company/Country (Industry)	Market value, in billions (U.S)	Latest, in local currency	STOCK PERFORMANCE Latest	52-week	Three-year
JFE Hldgs Japan (Iron Steel)	21.9	3,770	**3.57%**	62.9%	-35.6%
Japan Tobacco Japan (Tobacco)	34.3	326,000	**3.49**	10.1	-44.0
Hutchison Whampoa Hong Kong (Diversified Industrials)	32.2	58.60	**3.17**	44.2	-26.2
Mitsui Japan (Industrial Suppliers)	28.9	1,457	**2.97**	61.5	-14.7
China Mobile (HK) Hong Kong (Mobile Telecommunications)	196.5	76.65	**2.40**	6.2	12.7
Mitsubishi UFJ Finl Japan (Banks)	74.4	488.00	**2.09**	-7.2	-68.1
Mitsubishi Japan (Industrial Suppliers)	44.6	2,478	**1.98**	100.2	14.5
Nissan Motor Japan (Automobiles)	36.8	823.00	**1.98**	162.1	-42.9
Nintendo Japan (Toys)	36.6	26,080	**1.95**	-23.9	-19.5
Canon Japan (Electronic Office Equipment)	53.5	3,950	**1.67**	36.0	-38.7
Samsung Elec South Korea (Semiconductors)	106.2	809,000	**1.51**	64.6	32.0
Seven I Hldgs Japan (Broadline Retailers)	19.9	2,009	**1.31**	-24.8	-46.3
East Japan Railway Japan (Travel Tourism)	26.6	6,130	**1.16**	-4.8	-27.6
Takeda Pharm Japan (Pharmaceuticals)	34.1	3,940	**1.03**	-10.5	-50.0
KDDI Japan (Mobile Telecommunications)	24.9	513,000	**0.98**	-10.2	-36.5
Nippon T&T Japan (Fixed Line Telecommunications)	55.5	3,825	**0.79**	-16.5	-36.9
Shin-Etsu Chml Japan (Specialty Chemicals)	25.0	5,370	**0.75**	31.3	-31.5
Kansai Elec Power Japan (Conventional Electricity)	22.4	2,137	**0.28**	-7.5	-33.2
Tokyo Elec Power Japan (Conventional Electricity)	36.2	2,445	**0.20**	-10.3	-36.8
NTT DoCoMo Japan (Mobile Telecommunications)	60.9	133,000	**0.08**	-17.9	-30.4

Company/Country (Industry)	Market value, in billions (U.S)	Latest, in local currency	STOCK PERFORMANCE Latest	52-week	Three-year
Commonwlth Bk of Aus Australia (Banks)	79.4	56.57	**...**	99.3%	14.3%
Westpac Bking Australia (Banks)	67.7	25.18	**...**	52.2	4.9
China Life Ins Hong Kong (Life Insurance)	36.6	38.15	**...**	73.4	49.3
POSCO South Korea (Iron Steel)	42.1	624,000	**-0.16%**	65.5	107.0
Cheung Kong Hong Kong (Real Estate Holding Development)	30.3	101.60	**-0.20**	39.2	0.4
Tokio Marine Hldgs Japan (Property Casualty Insurance)	23.4	2,706	**-0.22**	22.2	-40.0
Sun Hung Kai Prop Hong Kong (Real Estate Holding Development)	38.8	117.40	**-0.25**	77.9	18.8
Hon Hai Precision Ind Taiwan (Electrical Components Equipment)	39.7	148.00	**-0.34**	162.3	-5.3
CNOOC Hong Kong (Exploration Production)	75.9	13.18	**-0.45**	91.3	95.0
KB Fncl Group South Korea (Banks)	20.1	58,800	**-0.51**	64.1	-18.6
Aus NZ Bk Australia (Banks)	51.5	22.26	**-0.58**	49.9	-20.5
PetroChina Hong Kong (Integrated Oil Gas)	27.5	10.12	**-0.59**	57.6	3.1
Woolworths Australia (Food Retailers Wholesalers)	31.6	27.79	**-0.75**	5.4	21.6
Sumitomo Mitsui Finl Japan (Banks)	31.8	2,875	**-0.86**	-22.9	-77.2
Shinhan Financial Grp South Korea (Banks)	19.1	45,300	**-0.88**	55.0	-2.1
National Australia Bk Australia (Banks)	52.2	26.95	**-1.10**	32.4	-33.2
Woodside Petroleum Australia (Exploration Production)	32.2	48.63	**-1.32**	39.9	34.7
Taiwan Smcndtr Mfg Taiwan (Semiconductors)	51.8	63.60	**-1.40**	45.9	-8.2
Mizuho Financial Grp Japan (Banks)	27.3	177.00	**-1.67**	-29.8	-80.3
Westfield Grp Australia (Retail REITs)	26.5	12.43	**-1.74**	-5.0	-40.2

Sources: Dow Jones Indexes; WSJ Market Data Group

Tracking credit markets & dealmakers

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Hedge funds

Dow Jones Hedge Benchmark	TOTAL RETURN for rolling periods, net of fees* One week	One month	One quarter	Year to date	One year
Merger Arbitrage	-0.11%	0.47%	1.4%	-0.1%	7.1%
Event Driven	1.00	1.51	3.8	1.0	15.7
Equity Long/Short	1.91	4.02	2.6	1.9	7.2

*Estimates as of 01/08/10, after fees; Source: www.djhedgefundindexes.com

Credit derivatives

Spreads on credit derivatives are one way the market rates creditworthiness. Regions that are treading in rough waters can see spreads swing toward the maximum—and vice versa. Indexes below are for five-year swaps.

Markit iTraxx Indexes

Index: series/version	Mid-spread, in pct. pts.	Mid-price	Coupon	SPREAD RANGE, in pct. pts. since most recent roll Maximum	Minimum	Average
Europe: 12/1	0.65	101.61%	0.01%	1.00	0.65	0.83
Eur. High Volatility: 12/1	0.93	100.34	0.01	1.76	0.92	1.34
Europe Crossover: 12/1	3.84	104.74	0.05	6.15	3.79	5.10
Asia ex-Japan IG: 12/1	0.87	100.59	0.01	1.29	0.87	1.06
Japan: 12/1	1.21	99.00	0.01	1.68	0.99	1.33

Note: Data as of January 11

Spreads

Spreads on five-year swaps for corporate debt; based on Markit iTraxx indexes.

In percentage points

Source: Markit Group

Credit-default swaps: Asian companies

At its most basic, the pricing of credit-default swaps measures how much a buyer has to pay to purchase-and how much a seller demands to sell-protection from default on an issuer's debt. The snapshot below gives a sense which way the market was moving yesterday.

Showing the biggest improvement...

	Yesterday	CHANGE, in basis points Yesterday	Five-day	28-day
Samsung Electrs	56	**-5**	-10	-10
POSCO	57	**-5**	-12	-10
Expt Import Bk of China	100	**-5**	-18	-14
Malayan Bkg	81	**-4**	-14	-8
Tenaga Nasional	80	**-4**	-12	-6
Korea Elec Pwr	58	**-3**	-10	-14
Bk of China	97	**-3**	-18	-12
Genting	92	**-3**	-10	-10
Petroliam Nasional BHD Petronas	74	**-3**	-9	-6
China Dev Bk	97	**-3**	-18	-13

And the most deterioration

	Yesterday	CHANGE, in basis points Yesterday	Five-day	28-day
Japan	70	**...**	1	5
Canon	35	**...**	-1	-4
Chubu Elec Pwr	31	**...**	-1	-1
Ptt Pub	87	**...**	-1	1
Kintetsu	83	**...**	-9	-11
Chartered Semicon Mfg	131	**...**	-24	-26
Cen Japan Rwy	24	**...**	-1	-2
Rep Indonesia	186	**1**	-5	-8
Sapporo Hldgs	139	**1**	-7	-15
Wan Hai Lines	179	**2**	-5	-8

Source: Markit Group

Behind Asia's deals: Bank revenue rankings, Global (ex US)

Behind every IPO, bond offering, merger deal or syndicated loan is one or more investment banks. Here are investment banks ranked by year-to-date revenues from recent deals.

	Revenue, in millions	Market share	PERCENTAGE OF TOTAL REVENUE Equity capital markets	Debt capital markets	Mergers & acquisitions	Loans
JPMorgan	$2,554	6.8%	51%	22%	26%	2%
Credit Suisse	2,113	5.7	46	28	24	2
UBS	1,911	5.1	52	17	31	1
Goldman Sachs	1,788	4.8	47	15	38	...
Deutsche Bank	1,719	4.6	38	35	25	2
Morgan Stanley	1,637	4.4	55	16	29	1
Nomura	1,505	4.0	69	17	14	...
Bank of America Merrill Lynch	1,402	3.8	43	24	30	3
Citi	1,377	3.7	36	30	30	4

Source: Dealogic

GLOBAL MARKETS LINEUP

Commodities

Prices of futures contracts with the most open interest

EXCHANGE LEGEND: CBOT: Chicago Board of Trade; **CME:** Chicago Mercantile Exchange; **NYBOT:** New York Board of Trade; **MDEX:** Bursa Malaysia Derivatives Berhad; **LIFFE:** London International Financial Futures Exchange; **LME:** London Mercantile Exchange; **NYMEX:** New York Mercantile Exchange; **ICE:** IntercontinentalExchange

Commodity	Exchange	Last price	ONE-DAY CHANGE Net	ONE-DAY CHANGE Percentage	Contract high	Contract low
Corn (cents/bu.)	CBOT	**392.50**	-30.00	**-7.10%**	712.25	315.50
Soybeans (cents/bu.)	CBOT	**983.00**	-27.50	**-2.72**	1,560.00	805.00
Wheat (cents/bu.)	CBOT	**538.00**	-34.50	**-6.03**	1,029.25	459.00
Live cattle (cents/lb.)	CME	**85.050**	-0.775	**-0.90**	108.600	81.900
Cocoa ($/ton)	ICE-US	**3,339**	-4	**-0.12**	3,510	1,994
Coffee (cents/lb.)	ICE-US	**144.65**	0.95	**0.66%**	188.65	115.00
Sugar (cents/lb.)	ICE-US	**27.67**	0.92	**3.44**	28.95	11.91
Cotton (cents/lb.)	ICE-US	**73.12**	-1.12	**-1.51**	84.00	49.67
Crude palm oil (ringgit/ton)	MDEX	**2,556.00**	-29	**-1.12**	3,580	1,487
Cocoa (pounds/ton)	LIFFE	**2,275**	-2	**-0.09**	2,337	1,310
Robusta coffee ($/ton)	LIFFE	**1,391**	6	**0.43**	1,710	1,300
Copper (cents/lb.)	COMEX	**339.90**	-4.20	**-1.22**	365.00	135.50
Gold ($/troy oz.)	COMEX	**1152.50**	1.80	**0.16**	1,227.50	762.30
Silver (cents/troy oz.)	COMEX	**1859.00**	-10.50	**-0.56**	2,011.50	1,045.00
Aluminum ($/ton)	LME	**2,292.00**	-64.50	**-2.74**	2,356.50	1,288.00
Tin ($/ton)	LME	**17,800.00**	-75.00	**-0.42**	17,875.00	9,945.00
Copper ($/ton)	LME	**7,454.00**	-241.00	**-3.13**	7,695.00	3,085.00
Lead ($/ton)	LME	**2,435.00**	-160.00	**-6.17**	2,615.00	995.00
Zinc ($/ton)	LME	**2,512.50**	-97.50	**-3.74**	2,659.00	1,086.00
Nickel ($/ton)	LME	**17,825**	-520	**-2.83**	21,150	9,475
Crude oil ($/bbl.)	NYMEX	**81.33**	-1.19	**-1.44**	141.30	48.78
Heating oil ($/gal.)	NYMEX	**2.1515**	-0.0286	**-1.31**	3.5570	1.3816
RBOB gasoline ($/gal.)	NYMEX	**2.1200**	-0.0227	**-1.06**	2.1927	1.2304
Natural gas ($/mmBtu)	NYMEX	**5.491**	0.059	**1.09**	12.590	4.550
Brent crude ($/bbl.)	ICE-EU	**80.39**	-1.15	**-1.41**	98.10	49.10
Gas oil ($/ton)	ICE-EU	**655.25**	-8.75	**-1.32**	875.00	450.50

Source: Thomson Reuters; WSJ Market Data Group

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Currencies

London close on Jan. 12

AMERICAS	Per euro	In euros	Per U.S. dollar	In U.S. dollars
Argentina peso-a	5.5151	0.1813	3.7940	0.2636
Brazil real	2.5182	0.3971	1.7323	0.5773
Canada dollar	1.5047	0.6646	1.0352	0.9660
1-mo. forward	1.5047	0.6646	1.0351	0.9660
3-mos. forward	1.5048	0.6646	1.0352	0.9660
6-mos. forward	1.5051	0.6644	1.0354	0.9658
Chile peso	712.14	0.001404	489.90	0.002041
Colombia peso	2849.44	0.0003509	1960.20	0.0005102
Ecuador US dollar-f	1.4537	0.6879	1	1
Mexico peso-a	18.5336	0.0540	12.7497	0.0784
Peru sol	4.1407	0.2415	2.8485	0.3511
Uruguay peso-e	28.273	0.0354	19.450	0.0514
U.S. dollar	1.4537	0.6879	1	1
Venezuela bolivar	3.77	0.264917	2.60	0.385097
ASIA-PACIFIC				
Australia dollar	1.5707	0.6366	1.0806	0.9255
China yuan	9.9241	0.1008	6.8271	0.1465
Hong Kong dollar	11.2731	0.0887	7.7551	0.1289
India rupee	66.2283	0.0151	45.5600	0.0219
Indonesia rupiah	13337	0.0000750	9175	0.0001090
Japan yen	132.19	0.007565	90.94	0.010997
1-mo. forward	132.16	0.007566	90.92	0.010999
3-mos. forward	132.12	0.007569	90.89	0.011002
6-mos. forward	132.03	0.007574	90.83	0.011010
Malaysia ringgit-c	4.8610	0.2057	3.3440	0.2990
New Zealand dollar	1.9603	0.5101	1.3485	0.7416
Pakistan rupee	122.979	0.0081	84.600	0.0118
Philippines peso	66.279	0.0151	45.595	0.0219
Singapore dollar	2.0181	0.4955	1.3883	0.7203
South Korea won	1628.60	0.0006140	1120.35	0.0008926
Taiwan dollar	46.233	0.02163	31.805	0.03144
Thailand baht	48.021	0.02082	33.035	0.03027

EUROPE	Per euro	In euros	Per U.S. dollar	In U.S. dollars
Euro zone euro	1	1	0.6879	1.4537
1-mo. forward	1.0001	0.9999	0.6880	1.4536
3-mos. forward	1.0002	0.9998	0.6881	1.4533
6-mos. forward	1.0006	0.9994	0.6883	1.4528
Czech Rep. koruna-b	26.219	0.0381	18.037	0.0554
Denmark krone	7.4401	0.1344	5.1183	0.1954
Hungary forint	267.54	0.003738	184.05	0.005433
Norway krone	8.1737	0.1223	5.6229	0.1778
Poland zloty	4.0654	0.2460	2.7967	0.3576
Russia ruble-d	42.841	0.02334	29.471	0.03393
Sweden krona	10.2288	0.0978	7.0367	0.1421
Switzerland franc	1.4757	0.6776	1.0152	0.9850
1-mo. forward	1.4755	0.6778	1.0150	0.9852
3-mos. forward	1.4749	0.6780	1.0146	0.9856
6-mos. forward	1.4739	0.6785	1.0139	0.9863
Turkey lira	2.1116	0.4736	1.4526	0.6884
U.K. pound	0.8980	1.1136	0.6178	1.6188
1-mo. forward	0.8982	1.1133	0.6179	1.6184
3-mos. forward	0.8985	1.1129	0.6181	1.6178
6-mos. forward	0.8990	1.1123	0.6185	1.6169
MIDDLE EAST/AFRICA				
Bahrain dinar	0.5480	1.8248	0.3770	2.6526
Egypt pound-a	7.9111	0.1264	5.4423	0.1837
Israel shekel	5.3676	0.1863	3.6925	0.2708
Jordan dinar	1.0288	0.9720	0.7078	1.4129
Kuwait dinar	0.4160	2.4041	0.2862	3.4947
Lebanon pound	2182.66	0.0004582	1501.50	0.0006660
Saudi Arabia riyal	5.4516	0.1834	3.7503	0.2666
South Africa rand	10.7599	0.0929	7.4020	0.1351
United Arab dirham	5.3393	0.1873	3.6730	0.2723
SDR -f	0.9247	1.0815	0.6361	1.5721

a-floating rate b-commercial rate c-government rate c-commercial rate d-Russian Central Bank rate f-Special Drawing Rights from the International Monetary Fund ; based on exchange rates for U.S., British and Japanese currencies.
Note: Based on trading among banks in amounts of $1 million and more, as quoted by Thomson Reuters.

Major stock market indexes

Stock indexes from around the world, grouped by region. Shown in local-currency terms.

Price-to-earnings ratio*	Region/Country	Index	PREVIOUS SESSION Close	PREVIOUS SESSION Net change	PREVIOUS SESSION Percentage change	PERFORMANCE Yr.-to-date	PERFORMANCE 52-wk.
53	**ASIA-PACIFIC**	DJ Asia-Pacific	129.09	0.63	**0.49%**	4.9%	43.5%
...	Australia	SPX/ASX 200	4899.52	-51.14	**-1.03%**	0.6	34.1
...	China	CBN 600	28967.60	460.50	**1.62**	-0.3	88.6
21	Hong Kong	Hang Seng	22326.64	-84.88	**-0.38**	2.1	63.3
20	India	Sensex	17422.51	-104.20	**-0.59**	-0.2	92.1
...	Indonesia	Jakarta Composite	2659.551	27.347	**1.04**	4.9	90.0
...	Japan	Nikkei Stock Average	10879.14	80.82	**0.75**	3.2	29.3
...		Topix	954.13	12.84	**1.36**	5.1	17.2
...	Malaysia	Kuala Lumpur Composite	1292.85	-1.66	**-0.13**	1.6	41.5
...	New Zealand	NZSX-50	3290.291	-13.458	**-0.41**	1.9	18.6
9	Pakistan	KSE 100	9778.36	-18.64	**-0.19**	4.2	61.4
15	Philippines	Manila Composite	3105.62	18.27	**0.59**	1.7	55.6
...	Singapore	Straits Times	2916.11	-17.42	**-0.59**	0.6	65.5
11	South Korea	Kospi	1698.64	4.52	**0.27**	0.9	45.5
20	Taiwan	Weighted	8309.37	-14.45	**-0.17**	1.5	83.3
10	Thailand	SET	745.24	-1.71	**-0.23**	1.5	71.8
50	**EUROPE**	DJ Stoxx 600	256.41	-2.40	**-0.93**	1.3	27.1
22		DJ Stoxx 50	2603.00	-20.85	**-0.79**	0.9	23.6
62	**Euro Zone**	DJ Euro Stoxx	277.66	-3.23	**-1.15%**	1.0%	25.4%
20		DJ Euro Stoxx 50	2978.79	-31.45	**-1.04**	0.4	23.5
20	Denmark	OMX Copenhagen	333.78	-2.61	**-0.78**	5.7	35.8
21	Finland	OMX Helsinki	6531.34	-107.98	**-1.63**	1.2	20.6
20	France	CAC-40	4000.05	-43.04	**-1.06**	1.6	25.1
21	Germany	DAX	5943.00	-97.50	**-1.61**	-0.2	28.2
16	Italy	FTSE MIB	23583.35	-191.41	**-0.81**	1.4	21.2
...	Netherlands	AEX	336.77	-3.75	**-1.10**	0.4	29.2
...	Russia	RTSI	1535.78	-17.28	**-1.11**	7.6	147.3
11	Spain	IBEX 35	11966.1	-108.4	**-0.90**	0.2	32.1
14	Switzerland	SMI	6541.90	-50.36	**-0.76**	-0.1	18.2
...	Turkey	ISE National 100	53676.35	-244.71	**-0.45**	1.6	105.6
15	U.K.	FTSE 100	5498.71	-39.36	**-0.71**	1.6	25.0
22	**AMERICAS**	DJ Americas	303.55	-2.12	**-0.69**	2.4	39.2
...	Brazil	Bovespa	70015.80	-417.68	**-0.59**	2.1	76.4
...	Argentina	Merval	2283.47	-34.27	**-1.48**	-1.6	102.7
21	Mexico	IPC	32853.18	-82.20	**-0.25**	2.3	56.6

*P/E ratios use trailing 12-months, as-reported earnings
European and Americas index data are as of 12:00 p.m. ET.

Sources: Thomson Reuters; WSJ Market Data Group

Reuters Group PLC is the primary data provider for several statistical tables in The Wall Street Journal, including foreign stock quotations, futures and futures options prices, and foreign exchange tables. Reuters real-time data feeds are used to calculate various Dow Jones Indexes.

Dow Jones and Dow Jones Stoxx Indexes

Dividend yield*	Price-to-earnings ratio*	Dows Jones Index	Last	Net change	PERFORMANCE Daily	PERFORMANCE Year-to-date	PERFORMANCE 52-wk.	Three-yr., annualized
2.09%	22	**DJ Global Index**	233.62	-1.37	**-1.37%**	40.4%	-0.6%	-5.6%
		Global DOW	2046.59	-0.74	**-0.74**	39.0	...	-1.4
2.28		**Asia/Pacific 600**	121.19	1.16	**1.16**	32.6	1.0	-5.8
1.66	16	**Emerging Markets**	289.07	-2.48	**-2.48**	86.1	-0.8	5.4
2.06	53	**Asia/Pacific**	129.09	0.63	**0.63**	43.5	0.5	-3.7
2.30	18	**Asia/Pacific ex-Japan**	325.83	-2.38	**-2.38**	82.3	-0.7	2.4
2.46	24	**Southeast Asia**	165.68	-0.38	**-0.38**	85.6	-0.2	3.9
0.83	29	**CBN China 600** -c	28967.60	460.50	**460.50**	88.6	1.6	20.3
0.85	32	**Shanghai**	388.24	6.03	**6.03**	88.2	1.6	20.6
0.58	46	**Shenzhen**	418.86	8.03	**8.03**	112.5	2.0	26.7
2.13	20	**China Offshore 50**	4163.24	-26.57	**-26.57**	72.0	-0.6	9.0
7.33	10	**Australia LPT** -c, d	1155.53	-21.71	**-21.71**	6.1	-1.8	-21.4

Dividend yield*	Price-to-earnings ratio*	Dows Jones Index	Last	Net change	PERFORMANCE Daily	PERFORMANCE Year-to-date	PERFORMANCE 52-wk.	Three-yr., annualized
7.33%	10	**Islamic Market**	2027.33	-13.72	**-13.72%**	40.8%	-0.7%	-0.7%
2.32	16	**Islamic Market 100**	2165.63	-9.16	**-9.16**	27.6	-0.4	-1.9
9.53	15	**Bahrain**	123.34	1.04	**1.04**	-16.2	0.8	-13.1
2.87	36	**Kuwait**	193.85	-2.54	**-2.54**	-0.6	-1.3	-16.9
2.52	21	**Sustainability**	1037.47	-6.41	**-6.41**	39.6	-0.6	-6.6
2.72	50	**Stoxx 600 -p**	281.17	3.91	**3.91**	37.9	1.4	-7.6
4.74	17	**Stoxx Select Div 30 -p**	1883.91	18.84	**18.84**	37.7	1.0	-19.6
3.98	23	**Euro Stoxx Sel Div 30 -p**	2248.48	38.71	**38.71**	42.4	1.8	-14.8
1.69	32	**DJ U.S. TSM**	11767.95	-70.13	**-70.13**	33.7	-0.6	-6.6
4.14	15	**U.S. Select Dividend -d**	659.69	-1.96	**-1.96**	20.0	-0.3	-9.6
4.68		**U.S. REIT**	145.17	-1.21	**-1.21**	35.2	-0.8	-18.9
		DJ-UBS Commodity -p	142.01	-0.40	**-0.40**	25.3	-0.3	-3.2

*Fundamentals are based on data in U.S. dollar. Footnotes: c-in local currency. d-dividends reinvested. p-previous day. Note: All data as of 11:30 a.m. ET.

Source: Dow Jones Indexes

Cross rates

U.S.-dollar and euro foreign-exchange rates in global trading

	US$	A$	£	C$	YUAN	EURO	HK$	RUPEE	RUPIAH	YEN	NZ$	WON	RINGGIT	PH. PESO	S$	S FRANC	TW$	BAHT
U.S.		1.081	0.618	1.035	6.827	0.688	7.755	45.560	9175.15	90.935	1.349	1120.35	3.344	45.595	1.388	1.015	31.805	33.035
Australia	0.925		0.572	0.958	6.318	0.637	7.177	42.163	8491.15	84.156	1.248	1036.83	3.095	42.196	1.285	0.940	29.434	30.572
Britain	1.619	1.749		1.676	11.051	1.114	12.553	73.750	14852.28	147.201	2.183	1813.56	5.413	73.807	2.247	1.643	51.484	53.475
Canada	0.966	1.044	0.597		6.595	0.665	7.492	44.013	8863.60	87.847	1.303	1082.30	3.230	44.047	1.341	0.981	30.725	31.913
China	0.1465	0.158	0.090	0.152		0.101	1.136	6.673	1343.94	13.320	0.198	164.10	0.490	6.679	0.203	0.149	4.659	4.839
Euro	1.454	1.571	0.898	1.505	9.924		11.273	66.228	13337.46	132.188	1.960	1628.59	4.861	66.279	2.018	1.476	46.233	48.021
Hong Kong	0.129	0.139	0.080	0.133	0.880	0.089		5.875	1183.12	11.726	0.174	144.47	0.431	5.879	0.179	0.131	4.101	4.260
India	0.0219	0.0237	0.0136	0.0227	0.1498	0.0151	0.1702		201.39	1.9959	0.0296	24.59	0.0734	1.0008	0.0305	0.0223	0.6981	0.7251
Indonesia	0.0001	0.0001	0.0001	0.0001	0.0007	0.0001	0.0008	0.0050		0.0099	0.0001	0.12	0.0004	0.0050	0.0002	0.0001	0.0035	0.0036
Japan	0.011	0.012	0.007	0.011	0.075	0.008	0.085	0.501	100.90		0.015	12.32	0.037	0.501	0.015	0.011	0.350	0.363
New Zealand	0.742	0.801	0.458	0.768	5.063	0.510	5.751	33.785	6803.84	67.433		830.79	2.480	33.811	1.029	0.753	23.585	24.497
South Korea	0.0009	0.0010	0.0006	0.0009	0.0061	0.0006	0.0069	0.0407	8.19	0.0812	0.0012		0.0030	0.0407	0.0012	0.0009	0.0284	0.0295
Malaysia	0.299	0.323	0.185	0.310	2.042	0.206	2.319	13.624	2743.77	27.193	0.403	335.03		13.635	0.415	0.304	9.511	9.879
Philippines	0.022	0.024	0.014	0.023	0.150	0.015	0.170	0.999	201.23	1.994	0.030	24.57	0.073		0.030	0.022	0.698	0.725
Singapore	0.720	0.778	0.445	0.746	4.918	0.496	5.586	32.817	6608.91	65.501	0.971	806.99	2.409	32.842		0.731	22.909	23.795
Switzerland	0.985	1.064	0.609	1.020	6.725	0.678	7.639	44.878	9037.78	89.573	1.328	1103.57	3.294	44.912	1.368		31.329	32.540
Taiwan	0.031	0.034	0.019	0.033	0.215	0.022	0.244	1.432	288.48	2.859	0.042	35.23	0.105	1.434	0.044	0.032		1.039
Thailand	0.030	0.033	0.019	0.031	0.207	0.021	0.235	1.379	277.74	2.753	0.041	33.91	0.101	1.380	0.042	0.031	0.963	

Source: Thomson Reuters via WSJ Market Data Group

MSCI indexes

Developed and emerging-market regional and country indexes from MSCI Barra as of January. 12, 2010

Dividend yield	Price-to-earnings ratio	Morgan Stanley Index	Last	LOCAL-CURRENCY PERFORMANCE Daily	YTD	52-wk.
2.40%	27	**ALL COUNTRY (AC) WORLD***	309.59	0.80%	**36.0%**	36.0%
2.40	28	**World (Developed Markets)**	1,207.22	0.75	**31.2**	31.2
1.80	117	**World Small Cap**	198.79	0.62	**48.1**	48.1
2.50	23	**Kokusai (World ex-Japan)**	1,195.95	0.71	**34.0**	34.0
2.90	28	**EAFE**	1,640.24	1.40	**32.6**	32.6
2.00	20	**Emerging Markets (EM)**	1,028.07	1.15	**81.3**	81.3
2.40	24	**AC ASIA PACIFIC EX-JAPAN**	432.41	1.17	**74.8**	74.8
2.00	24	**AC Far East ex-Japan**	464.39	0.75	**70.3**	70.3
1.70	35	**Japan**	589.62	0.00	**11.3**	11.3
1.90	21	**China**	66.85	0.68	**63.9**	63.9
0.80	40	**China A (China Domestic)**	3,304.41	0.08	**90.5**	90.5
2.60	24	**Hong Kong**	10,481.12	0.48	**59.9**	59.9
0.90	21	**India**	714.31	0.20	**93.5**	93.5
1.00	17	**Korea**	480.13	-0.35	**56.4**	56.4
2.40	20	**Malaysia**	478.32	0.06	**48.9**	48.9
2.90	18	**Singapore**	1,638.35	0.37	**64.4**	64.4
2.50	248	**Taiwan**	301.17	0.45	**73.7**	73.7
2.90	19	**Thailand**	307.05	0.84	**65.9**	65.9
3.70	26	**Australia**	1,017.43	0.86	**33.0**	33.0
5.20	16	**New Zealand**	90.00	-0.49	**18.5**	18.5
1.80	33	**US BROAD MARKET**	1,273.99	0.13	**29.7**	29.7
3.20	18	**EUROPE**	89.90	-0.10	**29.5**	29.5

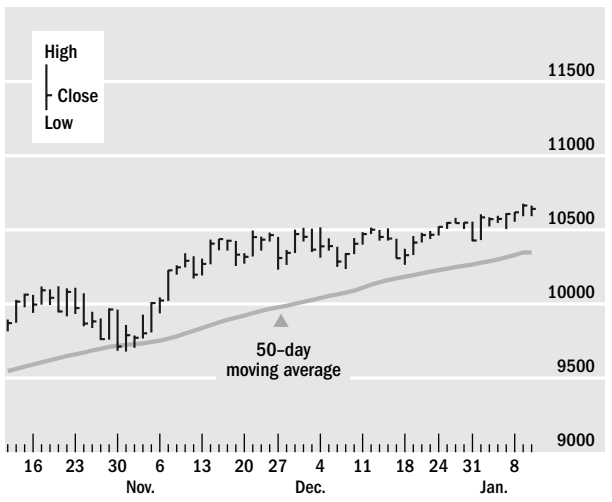
*Twenty-three developed and 26 emerging markets

Source: MSCI Barra

SCANNING THE GLOBE

Dow Jones Industrial Average P/E: 18

LAST: **10641.17** ▼ 22.82, or 0.21%
YEAR TO DATE: ▲ **213.12, or 2.0%**
OVER 52 WEEKS ▲ **2,192.61, or 26.0%**



Nasdaq Composite Index P/E: 48*

LAST: **2298.25** ▼ 14.16, or 0.61%
YEAR TO DATE: ▲ **29.10, or 1.3%**
OVER 52 WEEKS ▲ **751.79, or 48.6%**

S&P 500 Index P/E: 76

LAST: **1141.10** ▼ 5.88, or 0.51%
YEAR TO DATE: ▲ **26.00, or 2.3%**
OVER 52 WEEKS ▲ **269.31, or 30.9%**

*Price-to-earnings ratio for the Nasdaq 100 Note: Price-to-earnings ratios are for trailing 12 months

Sources: WSJ Market Data Group; Birinyi Associates

DJIA component stocks

Stock	Symbol	Volume, in millions	Latest	CHANGE Points	CHANGE Percentage
AT&T	T	**11.60**	$27.04	0.07	**0.24%**
Alcoa	AA	**79.20**	15.79	-1.66	**-9.51**
AmExpress	AXP	**4.90**	42.00	0.52	**1.27**
BankAm	BAC	**94.30**	16.50	-0.43	**-2.54**
Boeing	BA	**1.90**	60.42	-0.45	**-0.74**
Caterpillar	CAT	**6.90**	61.99	-2.14	**-3.34**
Chevron	CVX	**6.60**	80.23	-0.65	**-0.80**
CiscoSys	CSCO	**13.60**	24.32	-0.27	**-1.10**
CocaCola	KO	**4.80**	56.83	0.56	**1.00**
Disney	DIS	**7.60**	30.93	-0.43	**-1.37**
DuPont	DD	**2.10**	34.30	0.04	**0.10**
ExxonMobil	XOM	**14.80**	69.77	-0.53	**-0.75**
GenElec	GE	**27.30**	16.68	-0.08	**-0.48**
HewlettPk	HPQ	**4.70**	52.24	-0.19	**-0.36**
HomeDpt	HD	**10.70**	28.10	-0.06	**-0.23**
Intel	INTC	**30.30**	20.56	-0.39	**-1.86**
IBM	IBM	**3.50**	130.82	1.34	**1.03**
JPMorgChas	JPM	**20.40**	43.34	-1.19	**-2.67**
JohnsJohns	JNJ	**4.80**	64.58	0.36	**0.57**
KftFoods	KFT	**6.40**	29.05	0.25	**0.87**
McDonalds	MCD	**2.30**	62.37	0.05	**0.08**
Merck	MRK	**4.30**	37.75	-0.10	**-0.26**
Microsoft	MSFT	**22.00**	30.15	-0.12	**-0.40**
Pfizer	PFE	**16.70**	18.91	0.08	**0.42**
ProctGamb	PG	**6.00**	60.76	0.56	**0.93**
3M	MMM	**1.10**	84.09	0.11	**0.13**
TravelersCos	TRV	**1.80**	48.96	0.42	**0.87**
UnitedTech	UTX	**1.70**	71.34	-0.82	**-1.14**
Verizon	VZ	**4.90**	31.86	-0.02	**-0.06**
WalMart	WMT	**6.60**	54.24	0.03	**0.06**

U.S. stocks: most active...

Stock	Symbol	Volume, in millions	Latest	CHANGE Points	CHANGE Percentage
Citigroup	C	**196.3**	$3.55	–$0.08	**–2.20%**
BankAm	BAC	**96.6**	16.50	–0.43	**–2.57**
Alcoa	AA	**86.7**	15.79	–1.66	**–9.51**
FordMotor	F	**79.8**	11.89	–0.22	**–1.82**
SPDR S&P 500	SPY	**67.1**	113.90	–0.84	**–0.73**
SPDR FnclSelSct	XLF	**44.5**	15.06	–0.17	**–1.13**
PwrShrs QQQ	QQQQ	**38.8**	45.91	–0.45	**–0.97**
MGM Mirage	MGM	**36.6**	11.72	0.82	**7.52**
AdventrxPharm	ANX	**36.0**	0.45	0.00	**0.09**
Intel	INTC	**30.3**	20.57	–0.38	**–1.81**
YRC Worldwide	YRCW	**29.3**	0.99	0.12	**13.67**
GenElec	GE	**27.5**	16.69	–0.08	**–0.45**
iShrMSCIEmrgMkt	EEM	**26.7**	42.52	–0.59	**–1.37**
Microsoft	MSFT	**22.1**	30.17	–0.10	**–0.33**
ElectroArts	ERTS	**21.9**	16.89	–1.38	**–7.55**

Biggest gainers...

CapitolTrstPfd	CBCB	**5.6**	$2.74	$0.59	**27.44%**
EveryGloryIntl	EVK	**247.1**	4.21	0.86	**25.67**
CirrusLogic	CRUS	**2,537.6**	7.93	1.31	**19.79**
CyclacelPharm	CYCC	**10,284.9**	2.86	0.38	**15.32**
CapitlTr pfA	CBCA	**25.3**	2.30	0.30	**15.00**

...Biggest losers

PrimeRlty pfB	PGEZ	**87.6**	$4.26	-$1.35	**-24.06%**
GtAtlPac	GAP	**1,404.3**	10.47	-2.41	**-18.71**
ATS Med	ATSI	**1,580.5**	2.73	-0.51	**-15.74**
MultFinElec	MFLX	**439.9**	24.49	-3.41	**-12.22**
Cache	CACH	**191.6**	4.21	-0.53	**-11.18**

ADRs of Asian companies*

52-WEEK High	52-WEEK Low	Stock	Symbol	Volume, in OOOs	Latest	CHANGE Points	CHANGE Percentage
$11.69	$6.36	**Taiwan Semi**	TSM	**11,784.9**	$10.70	-0.34	**-3.09%**
58.64	22.61	**Infosys Tech**	INFY	**2,449.2**	57.86	3.03	**5.53**
4.24	1.65	**Utd Microelectronics**	UMC	**1,697.0**	4.10	-0.08	**-1.91**
82.74	33.09	**BHP Billiton**	BHP	**1,477.4**	79.18	-2.62	**-3.20**
59.22	40.20	**China Mobile**	CHL	**1,072.0**	48.92	0.28	**0.58**
13.30	6.25	**AU Optrncs**	AUO	**925.8**	12.92	-0.14	**-1.07**
8.19	3.78	**Siliconware Prec Ind**	SPIL	**771.0**	7.45	-0.19	**-2.49**
34.27	9.91	**Aluminum Cp of China**	ACH	**661.7**	32.24	-1.75	**-5.15**
6.84	3.71	**Mitsu UFJ Fnl**	MTU	**639.4**	5.31	0.12	**2.31**
15.95	8.56	**China Unicom**	CHU	**531.5**	13.03	-0.05	**-0.38**
31.70	15.64	**Sony**	SNE	**516.2**	31.60	1.00	**3.27**
25.65	5.11	**Yanzhou Coal Mining**	YZC	**477.9**	23.26	-1.09	**-4.48**
18.64	12.59	**SK Telecom**	SKM	**457.5**	17.18	-0.02	**-0.14**
89.57	56.79	**Toyota Motor**	TM	**391.4**	89.05	2.85	**3.31**
9.50	3.96	**Nomura Hldgs**	NMR	**383.4**	8.44	0.25	**3.05**
7.74	2.00	**Alumina**	AWC	**383.4**	7.02	-0.61	**-7.94**
81.00	37.43	**China Life Ins**	LFC	**378.4**	72.38	-1.07	**-1.46**
36.00	20.28	**Honda Motor**	HMC	**305.0**	35.83	1.31	**3.79**
15.82	6.85	**Korea Elec Pwr**	KEP	**248.4**	15.78	0.18	**1.15**
56.41	31.92	**ChinaTele**	CHA	**240.1**	44.87	-0.29	**-0.65**
19.56	15.05	**ChunghwaTel**	CHT	**235.7**	18.52	-0.05	**-0.27**
5.23	1.49	**Adv Semi Engrg**	ASX	**234.0**	4.87	-0.03	**-0.61**
16.60	10.60	**Matsushita Elec**	PC	**225.2**	15.71	0.71	**4.72**
12.19	2.00	**City Telecom**	CTEL	**219.4**	11.86	0.33	**2.86**
150.50	47.09	**POSCO**	PKX	**176.3**	135.75	-4.35	**-3.10**
135.92	63.94	**PetroChina**	PTR	**170.7**	127.62	-2.78	**-2.13**
4.07	1.50	**SemiMfgInt**	SMI	**152.6**	4.01	-0.05	**-1.23**
18.26	13.11	**NTT DoCoMo**	DCM	**115.6**	14.53	0.06	**0.41**
171.59	75.59	**CNOOC**	CEO	**107.7**	165.79	-3.94	**-2.32**
52.09	20.75	**Sinopec Shang Petro**	SHI	**102.1**	42.06	-1.04	**-2.42**

*Most active American depositary receipts tracked by Dow Jones

Source: WSJ Market Data Group

Global government bonds

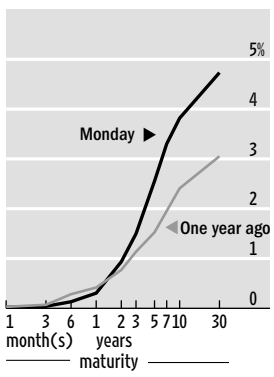
Latest, month-ago and year-ago yields and spreads over or under U.S. Treasurys on benchmark two-year and 10-year government bonds around the world. Data as of 11 a.m. ET

Coupon	Country/ Maturity, in years	Yield	SPREAD OVER TREASURYS, in basis points Latest	Previous	Month ago	Year ago	YIELD Previous	Month ago	Year ago
5.750%	**Australia** 2	**4.515%**	**360.8**	361.7	374.6	**201.5**	**4.557%**	4.563%	**2.762%**
4.500	10	**5.690**	**196.0**	196.0	202.9	**179.3**	**5.770**	5.577	**4.102**
5.000	**Austria** 2	**1.613**	**70.6**	73.9	17.8	**87.1**	**1.679**	0.995	**1.618**
3.900	10	**3.746**	**1.6**	-1.9	-0.2	**158.3**	**3.791**	3.546	**3.892**
3.500	**Belgium** 2	**0.944**	**3.7**	-1.8	32.1	**99.8**	**0.922**	1.138	**1.745**
4.000	10	**3.626**	**-10.4**	-15.2	7.8	**158.4**	**3.658**	3.626	**3.893**
1.250	**Canada** 2	**1.288**	**38.1**	33.4	43.8	**28.5**	**1.274**	1.255	**1.032**
3.750	10	**3.559**	**-17.1**	-21.2	-16.1	**45.5**	**3.598**	3.387	**2.764**
4.000	**Denmark** 2	**2.028**	**112.1**	110.1	128.5	**177.4**	**2.041**	2.102	**2.521**
4.000	10	**3.576**	**-15.4**	-18.9	2.9	**105.7**	**3.621**	3.577	**3.366**
1.500	**France** 2	**1.097**	**19.0**	15.9	40.2	**102.3**	**1.099**	1.219	**1.770**
3.750	10	**3.520**	**-21.0**	-25.9	-6.8	**115.9**	**3.551**	3.480	**3.468**
1.250	**Germany** 2	**1.220**	**31.3**	30.9	44.3	**77.6**	**1.249**	1.260	**1.523**
3.250	10	**3.307**	**-42.3**	-45.6	-34.2	**70.1**	**3.354**	3.206	**3.010**
0.550	**Hong Kong** 2	**0.620**	**-28.7**	-30.8	-44.9	**-22.5**	**0.632**	0.368	**0.522**
2.160	10	**3.088**	**-64.2**	-62.9	-115.5	**-90.5**	**3.181**	2.393	**1.404**
3.750	**Italy** 2	**1.428**	**52.1**	50.4	78.7	**194.3**	**1.444**	1.604	**2.690**
4.250	10	**4.046**	**31.6**	24.5	47.7	**205.7**	**4.055**	4.025	**4.366**
0.200	**Japan** 2	**0.168**	**-73.9**	-76.5	-63.7	**-36.1**	**0.175**	0.180	**0.386**
1.300	10	**1.352**	**-237.8**	-244.1	-226.2	**-101.9**	**1.369**	1.286	**1.290**
4.000	**Netherlands** 2	**0.733**	**-17.4**	-19.0	9.4	**82.1**	**0.750**	0.911	**1.568**
4.000	10	**3.463**	**-26.7**	-31.0	-8.5	**129.9**	**3.500**	3.463	**3.608**
3.200	**Portugal** 2	**1.143**	**23.6**	21.9	49.2	**136.7**	**1.159**	1.309	**2.114**
4.750	10	**3.996**	**26.6**	19.2	36.5	**173.8**	**4.002**	3.913	**4.047**
5.350	**Spain** 2	**1.371**	**46.4**	42.7	67.2	**111.9**	**1.367**	1.489	**1.866**
4.300	10	**3.943**	**21.3**	15.2	31.3	**160.8**	**3.962**	3.861	**3.917**
2.750	**Switzerland** 2	**0.625**	**-28.2**	-29.2	-42.9	**-18.4**	**0.648**	0.388	**0.563**
2.250	10	**2.099**	**-163.1**	-169.5	-163.8	**-8.7**	**2.115**	1.910	**2.222**
3.250	**U.K.** 2	**1.176**	**26.9**	26.9	41.3	**81.1**	**1.209**	1.230	**1.558**
4.500	10	**3.917**	**18.7**	18.4	30.4	**83.0**	**3.994**	3.852	**3.139**
1.000	**U.S.** 2	**0.907**	**...**	...	...	**...**	**0.940**	0.817	**0.747**
3.375	10	**3.730**	**...**	...	...	**...**	**3.810**	3.548	**2.309**

Source: Thomson Reuters

U.S. Treasury yield curve

The curve shows the yield to maturity of current bills, notes and bonds; all data as of 3 p.m. ET.



Ryan Index	Yield to maturity	Modified duration	TOTAL RETURN Month to-date	Quarter to-date	Year to-date	12-month
30-year Treasury	**4.732%**	16.05	–1.44 %	–1.44 %	–1.44 %	–21.81 %
10-year Treasury	**3.818**	8.22	0.25	0.25	0.25	–7.99
7 Year Treasury	**3.303**	6.18	0.62	0.62	0.62	...
Five-year Treasury	**2.554**	4.63	0.68	0.68	0.68	–0.04
Ryan Index	**2.807**	6.65	0.19	0.19	0.19	–4.94
3 Year Treasury	**1.497**	2.86	0.57	0.57	0.57	1.95
Two-year Treasury	**0.936**	1.95	0.44	0.44	0.44	1.74
1 Year Treasury	**0.305**	0.93	0.15	0.15	0.15	1.16
Six-month Treasury	**0.132**	0.50	0.04	0.04	0.04	0.65
Ryan Cash Index-a	**0.124**	0.44	0.05	0.05	0.05	0.58
Three-month bill	**0.041**	0.25	0.01	0.01	0.01	0.38
One-month bill	**0.020**	0.07	...	...	...	0.14

a-Performance of a cash investment

Source: Ryan ALM

Key money rates

	Latest	52 wks ago
Prime rates		
U.S.	**3.25%**	3.25%
Canada	**2.25**	3.50
Japan	**1.475**	1.475
Britain	**0.50**	1.50
ECB	**1.00**	2.50
Switzerland	**0.53**	0.52
Australia	**3.75**	4.25
Hong Kong	**5.25**	n.a.
Libor		
One month	**0.23313%**	0.33313%
Three month	**0.25125**	1.09438
Six month	**0.40000**	1.46500
One year	**0.90563**	1.73750

	Latest	52 wks ago
Euro Libor		
One month	**0.39875%**	2.31700%
Three month	**0.63500**	2.60750
Six month	**0.94938**	2.67250
One year	**1.21313**	2.73688
Hibor		
One month	**0.06000**	0.15071%
Three month	**0.12000**	0.80071
Six month	**0.24000**	1.10143
One year	**0.56000**	1.60071
Asian dollars		
One month	**0.2416%**	0.33%
Three month	**0.2586**	1.1200
Six month	**0.4180**	1.4740
One year	**0.9300**	1.7240

	Offer	Bid
Eurodollars		
One month	**0.2500%**	0.1500%
Three month	**0.2700**	0.1700
Six month	**0.3700**	0.2700
One year	**0.6500**	0.5500

	Latest	52 wks ago
U.S. discount	**0.50%**	0.50%
Fed-funds target	**0.25**	0.25
Call money	**2.00**	2.00
Overnight repurchase rates		
U.S.	**0.10%**	0.13%
U.K. (BBA)	**0.510**	1.442
Euro zone	**0.30**	2.06

Sources: WSJ Market Data Group; Reuters

MARKETS LINEUP

Moving the markets

At right, Japan's benchmark stock index and the biggest movers among the larger Asian stocks indexes and stocks Tuesday. Below each index are its most actively traded stocks. The charts show the percentage change in each index's or stock's value, rather than the point change, for purposes of comparison. The index level or stock price is indicated on each axis. All indexes and stocks are shown in local currency terms.

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Asian index movers...

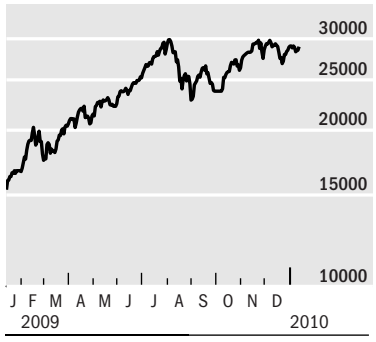
Nikkei Stock Average
Japan 10879.14
▲ **0.75% or 80.82**

Trading houses gained on the heels of China's strong trade data, published Monday. Mitsubishi Corp. gained 2% and Mitsui added 3%. JAL fell 45% on delisting fears.

Stock	Volume in millions	Close	Change Net	Change %
Mizuho Financial	**160.21**	177	–3	–1.67
Mtshbsh Fin Grp	**153.06**	488	10	2.09
Sanyo Elec	**140.11**	169	–3	–1.74
Hitachi	**79.45**	296	6	2.07
MazdaMtr	**75.80**	237	6	2.60

CBN 600
China 28967.60
▲ **1.62% or 460.50**

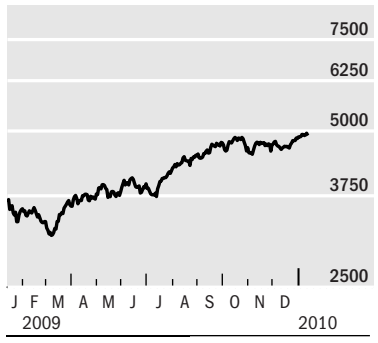
Economic recovery hopes fueled gains in shipping stocks. China Shipping Container Lines jumped by the 10% daily limit. Oil firms also gained, with PetroChina up 4.1%.



Stock	Volume in millions	Close	Change Net	Change %
United Network	**410.84**	7.54	0.40	5.60
China Shipping	**295.68**	5.16	0.47	10.02
China State Con	**211.34**	4.59	0.03	0.66
HaitongSecs	**186.05**	19.15	0.02	0.10
ChinaMinshengBkg	**183.10**	7.91	0.04	0.51

ASX 200
Australia 4899.52
▼ **1.03% or 51.14**

Resources firms declined on disappointing earnings late Monday from U.S.-based Alcoa. Alumina, a joint-venture partner of Alcoa, dropped 4.9%,



Stock	Volume in millions	Close	Change Net	Change %
Boart Longyear	**52.45**	0.39	–0.01	–2.50
Telstra	**46.27**	3.31	–0.04	–1.19
CSR	**41.32**	2.05	0.09	4.33
MacquarieOffTrust	**25.97**	0.31	unch	...
Alumina	**20.57**	1.96	–0.10	–4.85

Sensex
India 17422.51
▼ **0.59% or 104.20**

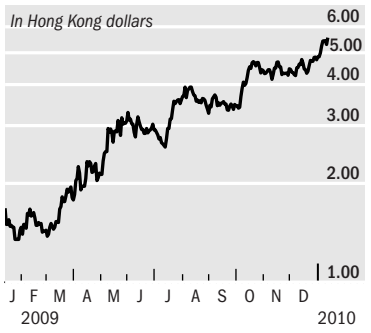
Profit-taking in banks and metals firms hurt the Sensex. But software stocks soared after Infosys beat forecasts for third-quarter results. Infosys rose 4%. Wipro gained 4.9%.

Stock	Volume in millions	Close	Change Net	Change %
Dlf-A	**2.08**	383.95	–15.40	–3.86
Hindalco-A	**2.01**	167.60	–4.05	–2.36
Tata Steel-A	**1.83**	626.25	–22.20	–3.42
Jaiprak Asso-A	**1.55**	161.65	–3.55	–2.15
Reliance Com-A	**1.51**	175.60	–6.35	–3.49

Asian stocks in the news

Lenovo Grp
Hong Kong HK$5.56
▲ **4.9% or HK$0.26**

The stock rose on expectations the firm's sales of new products will be strong in China.



	Price-to-earnings ratio			**none**
	Earnings per share, past four quarters			**-0.28**
	Dividend yield			**0.2**
		PERCENTAGE CHANGE Daily	1 wk.	52 wks
Technology		**0.8%**	1.0%	73.9%
Lenovo Grp		**4.9%**	6.1%	231.0%

Komatsu
Japan ¥2,096
▲ **5.4% or ¥107**

Japanese machinery makers rose after gains in U.S. peers on strong trade data from China.

	Price-to-earnings ratio			**60**
	Earnings per share, past four quarters			**35.00**
	Dividend yield			**0.8**
		PERCENTAGE CHANGE Daily	1 wk.	52 wks
Indus Gds & Svcs		**1.4%**	3.5%	54.4%
Komatsu		**5.4%**	7.3%	85.3%

Panasonic
Japan ¥1,449
▲ **5.6% or ¥77**

The firm said late Friday it will invest about 100 billion yen by 2015 in solar-cell operations.

	Price-to-earnings ratio			**none**
	Earnings per share, past four quarters			**-55.00**
	Dividend yield			**0.7**
		PERCENTAGE CHANGE Daily	1 wk.	52 wks
Personal & Hshld Gds		**2.2%**	3.8%	27.9%
Panasonic		**5.6%**	7.7%	30.5%

Sumitomo Metal Inds
Japan ¥282
▲ **5.6% or ¥15**

The stock rose on the Nikkei's prediction of a sharp rise in steelmakers' overseas output by 2020.

	Price-to-earnings ratio			**none**
	Earnings per share, past four quarters			**-10.40**
	Dividend yield			**1.8**
		PERCENTAGE CHANGE Daily	1 wk.	52 wks
Basic Resources		**-0.7%**	2.8%	86.9%
Sumitomo Metal Inds		**5.6%**	11.5%	28.8%

Tokyo Stl Mfg
Japan ¥1,128
▲ **5.8% or ¥62**

The Nikkei said Japan's four top steelmakers are expected to sharply boost overseas output by 2020.

	Price-to-earnings ratio			**146**
	Earnings per share, past four quarters			**7.70**
	Dividend yield			**0.9**
		PERCENTAGE CHANGE Daily	1 wk.	52 wks
Basic Resources		**-0.7%**	2.8%	86.9%
Tokyo Stl Mfg		**5.8%**	7.5%	19.0%

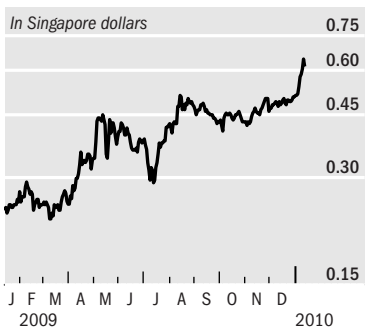
BlueScope Steel
Australia A$3.18
▼ **3.6% or A$0.12**

Fitch downgraded its credit rating on the stock to triple-B.

	Price-to-earnings ratio			**none**
	Earnings per share, past four quarters			**-0.07**
	Dividend yield			**none**
		PERCENTAGE CHANGE Daily	1 wk.	52 wks
Basic Resources		**-0.7%**	2.8%	86.9%
BlueScope Steel		**-3.6%**	-1.2%	7.2%

Golden Agri-Resources
Singapore S$0.62
▼ **4.7% or S$0.03**

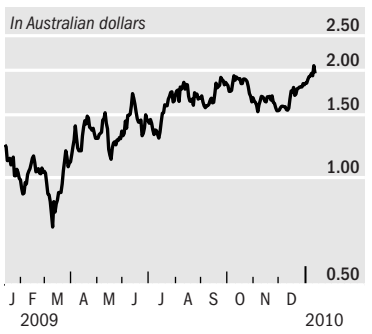
The stock pulled back after a surge of almost 7% Monday.



	Price-to-earnings ratio			**17**
	Earnings per share, past four quarters			**0.04**
	Dividend yield			**none**
		PERCENTAGE CHANGE Daily	1 wk.	52 wks
Food & Beverage		**0.1%**	1.1%	43.5%
Golden Agri-Resources		**-4.7%**	13.9%	153.2%

Alumina
Australia A$1.96
▼ **4.9% or A$0.10**

The stock was hurt by disappointing results from venture partner Alcoa.



	Price-to-earnings ratio			**21**
	Earnings per share, past four quarters			**0.09**
	Dividend yield			**none**
		PERCENTAGE CHANGE Daily	1 wk.	52 wks
Basic Resources		**-0.7%**	2.8%	86.9%
Alumina		**-4.9%**	2.1%	58.5%

Fast Retailing
Japan ¥16,050
▼ **5.0% or ¥850**

Goldman cut the stock's rating to "neutral" saying its recent strong earnings are already priced in.

	Price-to-earnings ratio			**25**
	Earnings per share, past four quarters			**636.40**
	Dividend yield			**1.2**
		PERCENTAGE CHANGE Daily	1 wk.	52 wks
Retail		**...**	1.1%	32.2%
Fast Retailing		**-5.0%**	-5.0%	26.9%

Japan Airlines
Japan ¥37
▼ **44.8% or ¥30**

Investors raced to offload the shares after reports the government might delist the carrier.

	Price-to-earnings ratio			**none**
	Earnings per share, past four quarters			**-98.80**
	Dividend yield			**none**
		PERCENTAGE CHANGE Daily	1 wk.	52 wks
Travel & Leisure		**0.7%**	1.7%	14.3%
Japan Airlines		**-44.8%**	-58.9%	-81.5%

HEARD ON THE STREET

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Speculative hordes overwhelm China

Despite its huge reach, the Great Wall of China was never much good at keeping China's enemies at bay. The same could be said of the barriers to foreign money inflows the country has erected over the years.

Now Beijing is again upping the rhetoric about keeping speculative money out. The country's top policy-making body over the weekend ordered greater vigilance from relevant government departments to restrict cross-border investment and financing activities.

The unofficial channels through which hot money flows mean that exact data on the extent of the problem aren't available. Analysts tend to count as hot money any increase in China's foreign-exchange reserves in a given month that isn't explained by foreign direct investment or the trade surplus.

By that measure, the inflows are heavy. Morgan Stanley estimates nearly $26 billion of inflows in the third-quarter—the latest period for which foreign-exchange reserve figures are available—could well be attributable to hot money.

Such money arrives in any number of ways through China's long and porous borders, from exporters over-invoicing to people smuggling in suitcases full of cash.

And, as Tsinghua University professor of finance Michael Pettis points out, history shows that the longer countries such as China keep capital controls in place, the more people find ways to get around them.

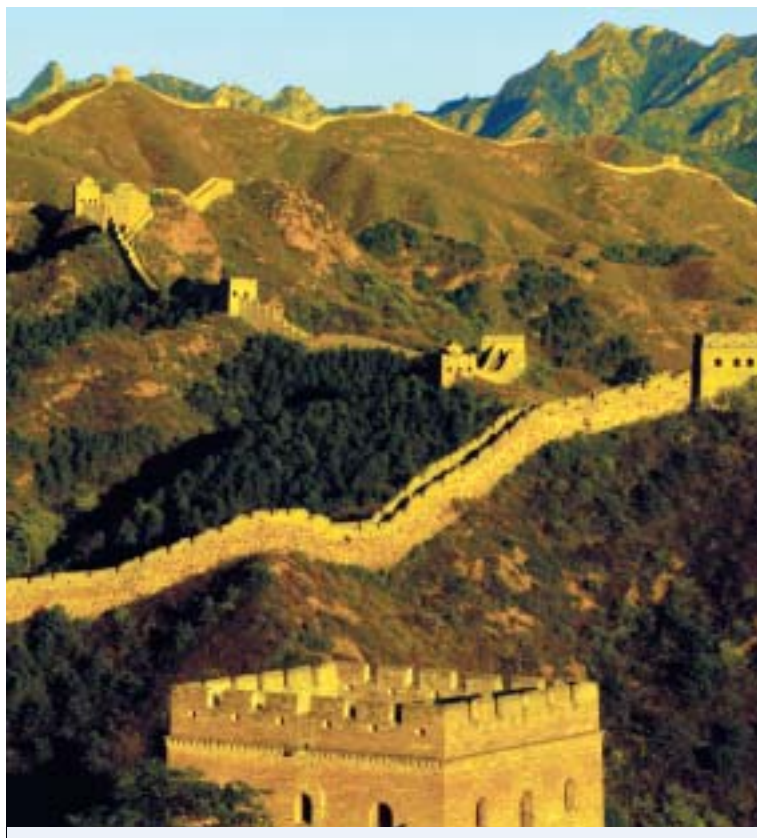
There has been plenty to attract inflows lately. Speculation is rife that, with exports on the rise again, China will resume the appreciation of its currency this year. Rising property and stock markets, partly fueled by a bank-lending binge taking place within China's borders, offer another target for speculators.

A senior official in China's economic-planning agency warned last week of the potential for huge hot-money inflows this year. At a time when inflationary pressures are gathering, the extra money supply isn't welcome; and, of course, policy makers also worry about outflows that can exacerbate any eventual downturn. But it will be hard for the authorities to stem the inflows. They did reverse in 2008, as China's stock market bubble burst. Engineering a market collapse is hardly a solution, but recent market jitters over potential policy tightening by China's central bank could scare some speculators off.

One suggested approach, a substantial one-off revaluation of the currency by 10% or more, might cool currency speculation for a while, and slow inflows. Or it might just reward the speculators, encouraging them to keep at it.

Either way, the ardor of speculators to keep the money flowing in looks set to foil Beijing's determination to keep it out.

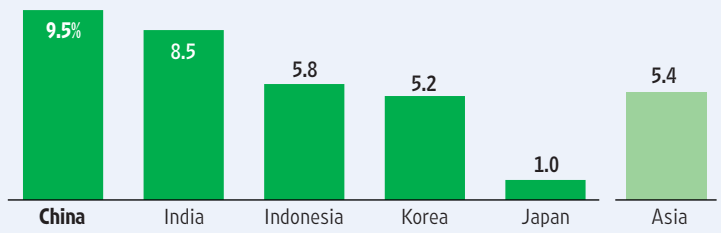
—Andrew Peaple



Strong pull

China's growth prospects are drawing investors through official, and unofficial channels.

Forecast for 2010 GDP growth, change from previous year



Sources: HSBC; Associated Press (photo)

Obama administration faces a matter of principal

It's a principle that won't get put into practice.

As U.S. foreclosures remain high, support is growing for reducing the principal on mortgages that are worth more than the value of the house.

The main government homeowner-relief program focuses on trimming interest payments, almost always leaving the principal intact.

The approach has had disappointing results. That is partly because it doesn't rid the borrower of negative equity—something best achieved by cutting principal.

But while the Obama administration is likely unhappy about the lack of results so far, don't expect it to back widespread principal reductions.

First, if the administration pushed for write-downs for a certain set of homeowners, it would risk an outcry ahead of the November congressional elections. After all, tax dollars would likely be used to cover at least some of the losses created by reductions.

Second, the government has limited influence. TARP stakes gave leverage, but big banks have mostly paid the money off. Meanwhile, roughly 40% of non-**Fannie Mae** and **Freddie Mac** mortgages are packaged into securities, whose owners could sue if mass write-downs were attempted.

Granted, the Treasury could demand principal cuts on loans guaranteed by Fannie and Freddie, which it does control. But amending only those loans—leaving others far underwater—could also backfire politically.

Finally, the Treasury probably doesn't even believe in principal reductions. Offering them could draw in opportunistic borrowers who don't actually need them, causing more losses and moral hazard than necessary.

The government may calculate that, even without write-downs, most people with negative equity will keep paying to stay in their homes. With unemployment at 10%, that's a big bet to make.

—Peter Eavis

Hitting home

Seriously past-due mortgages*

*90-plus days past due or in the foreclosure process

Source: Mortgage Bankers Association

Bloomberg News

Credit market can't sustain this blistering pace for long

For credit markets, this is as good as it gets.

The new-issue market is flying, premiums over government bonds are contracting and risk appetite is rising.

The market will have to slow down: returns in the first few days of 2010 already account for a significant share of expected gains for the whole year. Sovereign risk remains a cloud over the market. But a combination of abundant liquidity and broadly improving economic data suggest that for now, risk assets are in favor.

Spreads and returns are the key factors behind the bond binge. After a bumper 2009, investors will need to take more market risk to sustain performance in 2010.

This is the next link in the chain that started with policy makers reducing the yield on cash to zero: With investment-grade yields now offering skinny returns, bond investors are turning to riskier assets.

In the U.S., the junk-bond market has had the busiest start to the year since 2005, while in Europe borrowers such as Manchester United, HeidelbergCement and Virgin Media are lining up to tap investors.

Risk appetite is also creating some odd anomalies. The Markit iTraxx Europe index, a benchmark for the cost of insuring 125 blue-chip Western European companies against default, is trading at a lower level than the SovX Western Europe index of 15 sovereigns. Longer-term, that kind of distortion looks untenable and is a reminder that debt-laden sovereigns are a potential source of problems; but in the short-term, the government and corporate credit markets are autonomous enough for the gap to persist or even widen.

This enthusiasm for risk is driving sharp gains. U.S. high-yield bonds have already returned 2.2% year-to-date, according to Bank of America Merrill Lynch.

In Europe, deeply subordinated Tier 1 bank bonds have returned 6% already, according to Société Générale.

Investment-grade spreads on both sides of the Atlantic have collapsed by 0.15 to 0.20 percentage point.

The credit market can't sustain this blistering pace for too long. But that doesn't necessarily mean it will go into sharp reverse: Spreads can spend long periods at tight levels, as they did for most of the 1990s and the period from 2003 to 2007. The primary market will stay active as bank lending is likely to remain constrained.

A smoothly functioning credit market should increase corporate confidence and encourage investment and spending. That bodes well for all risk assets—not just corporate bonds.

—Richard Barley

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